



Daily Report

Latin America

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Rio Group Caracas Summit Agenda Previewed

PA1010232690 Madrid EFE in Spanish 1905 GMT
9 Oct 90

[Text] Caracas, 9 Oct (EFE)—This week Latin America will launch a firm diplomatic effort to ensure that the Initiative for the Americas proposed by U.S. President George Bush is approved by the U.S. Congress before it goes into recess on 19 October.

The presidents of the nine most developed nations in Latin America—which account for almost all of the region's foreign debt (\$416 billion)—will meet on 11-12 October in Caracas to formulate a comprehensive proposal in light of Bush's Initiative for an American common market.

The Venezuelan Government—host to the Group of Rio presidential summit—has stated that Latin America will assume a common front after the Caracas meeting, in light of the Initiative for the Americas proposal to create a hemispherical free zone of commerce, reduce public foreign debt, and open markets to free enterprise in an effort to attract investment.

Diplomatic sources have stated that a Latin American common front will be presented before the U.S. Congress—which has been dragging its feet on the Bush Initiative since 14 September—to push for its approval before the end of the current session, on 19 October.

This Latin American diplomatic offensive will be the basis for a joint communique from the Fourth Presidential Summit of the Group of Rio on the pressing need to approve the Bush initiative. Sources have indicated that the diplomatic offensive is also expected to influence the efforts of an OAS working group involved in this project.

The working group, which was created in Washington last month, will meet at the same time as the Caracas summit, on 11 October, in the U.S. capital. Luigi Einaudi, the U.S. ambassador to the OAS, is the vice-chairman of the working group.

The firm Latin American diplomatic effort favoring the Initiative for the Americas also includes letters sent last week to the U.S. Congress from Washington ambassadors of the Andean Pact (Bolivia, Colombia, Ecuador, Peru, and Venezuela).

The five Andean Pact nations, with the exception of Bolivia, which will be represented at the Caracas meeting, have already stated their acceptance of the Bush Plan and their hope that it will be the core of a new era of trade and economic development.

The Caracas summit will be the appropriate forum for the Latin American diplomatic offensive to encourage the creation of a hemispherical free zone of commerce, which also includes Canada and the United States, as Bush proposed on 27 June.

The sources said that the joint communique by the Fourth Presidential Summit of the Group of Rio will

establish a Latin American framework for the U.S. initiative and will present criteria that includes the interests of all Latin American nations.

The Bush initiative has provoked a sudden reactivation of the Latin American integration process and during the past few weeks new bilateral and regional agreements have been signed, making headway to completely eliminate trade barriers.

Last week, Venezuela signed a bilateral agreement with Argentina establishing a free trade zone in 1995, and this week it will negotiate a similar agreement with Chile.

Two weeks ago, Mexico, Colombia, and Venezuela agreed to form a Group of Three to advance their internal integration, as well as that of the rest of Latin America and the Caribbean. It was also proposed that Argentina, Brazil, Uruguay, Paraguay, and perhaps Chile, organize a Southern Cone Common Market (Mercosur) [Mercado Comun del Sur].

The presidents of Argentina, Carlos Menem; Brazil, Fernando Collor de Mello; Colombia, Cesar Gaviria; Chile, Patricio Aylwin; Ecuador, Rodrigo Borja; Mexico, Carlos Salinas de Gortari; Peru, Alberto Fujimori; Uruguay, Luis Alberto Lacalle; and Venezuela, Carlos Andres Perez, will attend the summit in Caracas.

The first president to arrive in Caracas was Patricio Aylwin, who is on an official visit that will last from 9 to 12 October. The Ecuadoran president will arrive on 10 October, and on 11 October the rest of the members of the Group of Rio will arrive.

In light of the Persian Gulf crisis, the final summit communique will include reference to the energy situation in Latin America and the Caribbean. The possibility of Bolivia and Paraguay joining the Group of Rio, Haiti's political future, drug trafficking, and the environment will be also included. The communique will be preceded by four closed-door working sessions of high-ranking officials, which began on 9 October.

The presidents of the Group of Rio member nations will hold three working sessions, one on 11 October and two on 12 October. The Fourth Presidential Summit of the Group of Rio is expected to include one joint press conference.

Aylwin Aims Regional Investment Fund Proposal

PA1110041690 Hamburg DPA in Spanish 0000 GMT
11 Oct 90

[Text] Caracas, 10 Oct (DPA)—At the end of his official visit to Venezuela, Chilean President Patricio Aylwin proposed the creation of a Latin American investment fund to support countries in the region that have financial difficulties.

The fund could take advantage of financial "affluence" enjoyed by some countries in the region as the result of selling certain products on the world market, Aylwin

said, after signing a free trade agreement with his Venezuelan colleague Carlos Andres Perez.

For example, he mentioned the case of oil, but he did not directly refer to Venezuela, Mexico, and Ecuador, countries that benefit from the current increase in oil prices.

Aylwin ended a two-day official visit to Venezuela today, the first by a Chilean president since Eduardo Frei came here in 1967, 23 years ago.

The president will remain in Caracas until tomorrow to formally join the Group of Rio, which will hold its fourth summit meeting in this city.

Along with Chile, Ecuador will also join the permanent mechanism for consultation and concerted action [the Group of Rio].

Aylwin, who came to power early this year as the first democratically elected president after 16 years of military dictatorship, rejected the political interference of his predecessor General Augusto Pinochet, and reaffirmed the prevailing political freedom and human rights in his country.

As for the recent arrest of journalists for alleged offenses against the Armed Forces, Aylwin said that in the next few weeks, a law will be approved that will exempt all journalism-related crimes from under military jurisdiction.

The Chilean president criticized the "insensitive" social policies of the previous regime, but recognized the achievements of the market economy, especially the increase in exports and investments.

The free trade agreement between Venezuela and Chile will go into effect in April 1991 and will be revised in May 1994.

The document provides for the free circulation of goods and services and zero customs duties beginning in June 1991, as well as the coordination of economic policies between both countries.

Similar agreements were signed within the past few weeks between Venezuela and Argentina, as well as Chile and Mexico.

In a clear reference to the United States, Aylwin said that the Latin American investment fund should be financed by Latin American and Caribbean countries, and not by those that comprise the OAS.

Cuba

Castro Meets With New People's Councils Leaders

FL1110013490 Havana Television Service
in Spanish 0000 GMT 11 Oct 90

[Text] Commander in Chief Fidel Castro's first meeting with the 93 presidents of the recently established People's Councils of Havana City took place in the Palace of the Revolution today.

Fidel began the meeting by congratulating the presidents of this new level of government. He said that the meeting will make it possible to learn more details about how the areas have been structured, and to discuss the working style with which the presidents will confront their new tasks.

Pedro Chavez, president of the people's government in the capital, introduced the 93 presidents and provided information about them, such as their average age, educational level, and experience in government organs.

Subsequently, the commander in chief, the council presidents, and leaders of the various levels of the people's government in the capital discussed the structure, composition, and functions of the People's Councils.

The presidents of the people's government of the capital's 15 municipalities, the Provincial Executive Committee of the Communist Party of Cuba [PCC], and party secretaries of each territory were also present.

Escalona Praises Councils

FL1110012290 Havana Radio Rebelde Network
in Spanish 2308 GMT 10 Oct 90

[From the "Haciendo Radio" program]

[Text] Juan Escalona Reguera, president of the National Assembly of the People's Government, has said that the presidents of the recently created councils are the state's representatives in the territory. In remarks he made to the press during his visit to the Isle of Youth, Reguera stressed that the People's Councils are an important factor for efficient government management and he added that it will be an important experience that will allow the country to consider the future expansion of this system to other cities throughout the country.

In discussing the topic of the People's Councils, the president of the government organ said that the Council of State adopted a recent agreement that regulates the activities of these bodies in the capital thus giving them greater authority and the power to supervise and be vigilant over everything that occurs within their jurisdiction.

Fidel, Raul Castro Attend Moiseyev Reception

FL1010125090 Havana Tele Rebelde Network
in Spanish 1100 GMT 10 Oct 90

[Text] Commander in Chief Fidel Castro, first secretary of the Communist Party of Cuba Central Committee and president of the Councils of State and Ministers, attended the reception held last night by Army General Mikhail Alekseyevich Moiseyev, chief of the General Staff of the Soviet Armed Forces. Fidel talked with the visitors about subjects of interest to both countries. Army General Raul Castro, second secretary of the Communist Party of Cuba Central Committee and minister of the Revolutionary Armed Forces [FAR], also attended the reception.

Later the high-ranking Soviet military delegation left to return to their country. In statements to the press, Moiseyev and Division General Ulises Rosales del Toro, first vice minister of the FAR and chief of the General Staff, stressed that this visit has contributed to reaffirming the ties of friendship and solidarity that unite both countries and their armed forces.

Farewell Statements Reported

FL1010185390 Havana Television Service
in Spanish 1700 GMT 10 Oct 90

[Text] Last night, Commander in Chief Fidel Castro, first secretary of the Communist Party of Cuba [PCC] Central Committee, attended a reception hosted by Army General Mikhail Alekseyevich Moiseyev, chief of the General Staff of the Soviet Armed Forces. The Cuban president and members of the high-level USSR delegation exchanged ideas on matters of bilateral interest. Army General Raul Castro, second secretary of the PCC Central Committee and minister of the FAR [Revolutionary Armed Forces] and other generals, chiefs, and officers of the FAR and the Interior Ministry were also present.

Later, Raul saw off the high-level Soviet delegation which returned to the USSR. Other FAR generals and chiefs were also present. Minutes before departure, Moiseyev and Division General Ulises Rosales del Toro chief of the General Staff, made remarks to the press.

[Begin recording] [Moiseyev, in Russian with simultaneous Spanish translation] This visit has been a continuation of the good links that have existed, exist, and will continue to exist between our peoples and our armed forces. Today we are faithful to the roots of our international friendship, especially to the contract commitments signed after Comrade Sergeyevich Gorbachev's April 1988 visit, after the friendship, cooperation, and mutual agreement contract pertaining to all economic, social, and military matters was signed.

Our visit has taken place at the invitation of the chief of the General Staff. We have learned about the living conditions of the members of the Armed Forces. We have learned about the Cuban people and about this

magnificent country. We appreciate what the Cuban people are doing during these complex economic circumstances. We, the Soviets, the representatives of the Army and the Fleet are taking with us the warmest and friendliest impressions. The greatest impression we take with us is the reception Comrade Commander in Chief Fidel Castro gave me personally, the chat I held with him for several hours. I was particularly impressed by his attitude toward our problems; the problems related to the Chernobyl accident; the aid given to our children at the great Pioneers City I visited. As a conclusion to our conversation [as heard], yesterday we visited a hospital where our soldiers who participated in the Afghan war are being treated.

We recognize concern shown for our soldiers and the aid the Cuban people are giving our children. We take a deep bow and say thank you.

[Rosales del Toro] During these days we have embraced the Soviet generals as in the best of years. We feel that we are in complete agreement, that our struggle continues being the same one, that we are facing the same problems, and that our friendship grows more and more each day. This is what we have seen during these days. We have seen that this new generation of Soviet generals identify with our revolution and with our commander in chief. We are strengthening our relations and friendship. [end recording]

Electrical Union Notes Drop in Power Output

FL1010143590 Havana Tele Rebelde Network
in Spanish 1000 GMT 10 Oct 90

[Text] The Electrical Union, an entity of the Ministry of Basic Industry, released information to the national press on energy consumption in September, and on the scheduled resumption of standard time. According to the statement, the average maximum electricity demand dropped by 16 percent in September as compared with the same period last year. Likewise, electricity plants generated 132,946 megawatt/hours less last month, although this does not mean there was a net conservation of energy. This drop is partially the result of lower consumption due to idled centers; rescheduling of work shifts in some enterprises; and conservation by the populace. This was a determining factor in the three percent drop in specific consumption. In all, 43,168 metric tons less of fuel were consumed in September, for a comparative rate of 14 percent with respect to 1989.

The Electrical Union reminds the public that summer time will officially end on 14 October. At 0100 hours that day, clocks should be set back one hour to restore standard time for the 75th meridian from Greenwich. Summer time began this year on 1 April. The 196 days of summer amounted to 150,000 megawatt/hours that were not consumed, which is equivalent to 40,000 metric tons of oil.

* Gasoline Rationing Measures Detailed

90CA0131A Havana GRANMA in Spanish 4 Sep 90 p 2

[Report by Joaquin Oramas]

[Text] Complementing the measures taken as a result of the difficult situation facing the country as far as the availability of fuels is concerned, the chairmen of the Central Planning Board and the State Committee for Finances and the ministers of basic industry and transportation have issued a joint order that establishes how the various procedures for providing gasoline and diesel fuel are to be handled through coupons.

It provides guidelines for regulating the measures for the immediate 50 percent devaluation of the State gasoline coupon that is currently in the possession of users.

It also calls for a 50 percent cut in the provision of coupons to the State sector and a 30 percent cut for private consumers as of the fourth quarter of the year. The ruling was communicated to all agencies, enterprises, budgeted units, and organs of the People's Government and is in force from the day that the energy-resources conservation measures were announced, as published in GRANMA on 29 August.

As for the contents of the document, we should underscore initially that the State gasoline coupons in the possession of agencies, enterprises, and other entities will be devalued up to 30 September. As of that date they will regain their face value.

The devaluation of the State coupon is a temporary measure to implement an immediate 50-percent reduction in the distribution of gasoline under this certificate.

There was no other way to do so if we bear in mind that this past July thousands of coupons were in the possession of State consumers.

Moreover, printing new coupons to replace the existing ones would have meant an unnecessary expense. Some 150 million coupons a year are currently printed for the gasoline distribution system.

As expected, private consumers have put additional pressure on service stations; coupon sales of gasoline have returned to normal now.

It was reported that the uncontrolled sale of regular gasoline is inappropriate given the shortage of fuel supplies and has thus been suspended. This measure was taken immediately at all centers selling this product.

Vehicles Connected With State Sector

The order affects private vehicles connected with state-run enterprises that receive their quota of private coupons from the enterprises and do not have quotas at the service stations. It says that in these cases it is up to each state entity to determine the extent of the cut, within the context of its adjusted allocation.

It also establishes guidelines for private vehicles in the budgeted sector, vehicles to which the compensation system applies. As we know, in these cases they receive an additional quota of gasoline besides the basic quota at the service station. This additional quota is ordered by the corresponding state entity, which must comply with the scale established for such cases and contribute a certain amount of money.

The document states that in such cases it is up to each budgeted state entity to determine the extent of the reduction in accordance with its adjusted allocation of gasoline, referring at all times to the established scale, however. The cut can be made by completely eliminating the compensation or by reducing it to one of the lower levels on the scale.

It also establishes that the State Committee for Finances must be informed of any modifications that may be made, bearing in mind that the committee keeps systematic tabs on such compensations. The document reaffirms that the basic quota that these private vehicles receive at service centers will be cut by 30 percent.

As for the allocations of gasoline for agricultural cooperatives, it recalls that they come from the allocations that MINAZ [Ministry of the Sugar Industry], MINAGRI [Ministry of Agriculture] primarily, and in some cases the People's Government receive. These bodies will determine the extent of the reduction in supplies of private coupons to the cooperatives, on the basis of their adjusted allocation.

The coupons in question are for the trucks and equipment used in the cooperatives' production activities. Excluded, of course, are the private cars of the cooperative members, who are given coupons to buy gasoline for private use at service centers. The 30 percent general adjustment for all private consumers will also apply to them.

Some isolated farmers are overseen by MINAZ and MINAGRI. They are subordinate to these enterprises that attend to the farm sector and receive the same treatment as cooperatives.

The isolated farmers not overseen by the bodies in question will receive their quota per service station, if they have a gasoline-consuming vehicle, and therefore the 30 percent cut will apply to them.

Private Trucks

The order indicates that according to available reports, there are approximately 6,000 trucks and vans in the country that are not linked to the Freight Operating Unit.

If they receive gasoline quotas (depending on the type of vehicle) in the form of private coupons for use at service stations, they will take a 50 percent cut in the fourth quarter of the year.

The order also offers a preliminary explanation of gasoline distribution for all trucks and vans registered with the Freight Operating Unit, under the following breakdown:

Trucks that are directly linked to entities of the agencies and the People's Government, which receive their private gasoline coupons from these entities under their allocations.

Those linked to the Freight Operating Unit that each organ of the People's Government has and that are pooled at transportation bases. Private gasoline coupons are furnished to them through this unit, in accordance with the allocations to the People's Government.

In addition, those linked to the private-trucks base that is subordinate to the Transportation Ministry's Truck Freight Enterprise, which offers services only in the city of Havana. They receive coupons at the aforementioned base, at all times in accordance with the Transportation Ministry's allocation of this fuel.

The document repeats that none of these vehicles registered with the Freight Operating Unit have coupon allocations at service stations.

It also specifies that as far as the trucks registered with the Freight Operating Company are concerned, the agencies and the People's Government, in each specific case, will determine the cut in the use of this product and, therefore, the distribution of private coupons to them, in the context of their adjusted allocation of gasoline.

The assumption is that given the reduced availability of gasoline, state entities will prioritize the use of their own transportation vehicles, thus cutting the use of private ones. The ruling calls for a reduction of at least 50 percent in the use of such private vehicles.

The ruling also affects private taxicabs (those of the former ANCHAR [National Association of Revolutionary Taxi Drivers]), which are overseen by the organs of the People's Government and receive gasoline coupons from them. These vehicles do not have a coupon allocation at service stations.

Based on the adjustments in the coupon allocations for this fuel, the organs of the People's Government will determine the cut that applies to private cabs, bearing in mind the characteristics of this service and the area in which it is provided.

As has been announced and as the order reaffirms, the distribution of coupons under the basic quota for the fourth quarter of the year for private vehicles, including recreational craft that use gasoline, is reduced 30 percent.

It indicates that in certain cases in which additional quotas are granted, including to selected physicians, teachers, military personnel, and artists, these allocations will also be cut 30 percent as of the fourth quarter of the year.

As for diplomats, to whom CUBALSE [Purchasing Agency for the Diplomatic Corps] distributes special coupons, their allocation will not be reduced. These coupons can be used at any service station in the country. In addition, for the convenience of diplomatic personnel the enterprise in question has a garage in the city of Havana where they can purchase high-octane gasoline with freely convertible currencies.

The coupon allocations that INTUR [National Institute of Tourism] and the Cubanacan entity sell for foreign exchange to tourists are not being reduced either.

The document offers some clarifications regarding foreign technicians, indicating in this regard that the ones who own cars and receive a basic service-station quota are included in the 30 percent cut as of the fourth quarter of the year.

The additional quota for private-use gasoline earmarked for foreign technicians through the State Committee for Economic Cooperation (CECE) will also be reduced 30 percent.

As for diesel fuel, it notes that in the case of state agencies and entities the coupons will not be devalued, bearing in mind that outlays for diesel are of minor importance.

The quotas for private vehicles that use diesel fuel will be cut 30 percent as of the last quarter of the year.

This affects the coupon quotas for cars, boats, farm equipment, and other vehicles that use diesel. The reduction will be 50 percent for the private trucks that burn this fuel.

The use of diesel-burning private trucks that are overseen by the Freight Operating Unit and that receive private coupons through the unit must also be cut by at least half.

In summary, we can state first that private gasoline coupons retain their face value for the entire year.

The devaluation in the case of state coupons will be in effect until 30 September, after which they will regain their face value.

The current devaluation will take effect from the time that gasoline is purchased at a service station.

Moreover, this month state entities must itemize the amounts of state and private coupons that they need for the fourth quarter, based on the 50 percent cut in the overall distribution of coupons as of this period.

Both the coupons that they have and those they will receive for the last three months of the year will then retain their face value.

As for private taxicabs, the local organs of the People's Government are empowered to make the necessary cuts in this service, based at all times on the 50 percent cut in the allocation for state entities.

In addition, the corresponding enterprises must reduce the use of private trucks and vans by 50 percent and make more efficient use of their own available fleet.

Party Envoy Attends Conference in Uruguay

*FL1110001190 Havana Radio Rebelde Network
in Spanish 2346 GMT 10 Oct 90*

[Report by Maria Elena Alonso on the "Haciendo Radio" program]

[Excerpt] The sessions of the 22d congress of the Uruguayan Communist Party will continue in Montevideo next weekend. The local media and the organizers of the congress have described it as a historical and crucial event because of the international circumstances, as well as because of its strong internal debates.

Within the framework of the congress, representatives from all the foreign delegations invited to Uruguay recently participated in an international conference entitled, "What direction is the Left Taking in the World?"

In regard to the participation of Cuba's representative in this international conference, our contact in Montevideo reports by telephone: [Valver] Maria Elena, German Sanchez of the Central Committee of the Communist Party of Cuba is among the guests. He participated in one of the conference panels. We discussed several topics with him, including the matter of how the Cuban people are adapting to the special period in peacetime which arose because of the international situation. The Cuban leader stressed that his country always expected a special situation. He said that the people are confronting this situation with responsibility and without sadness. Sanchez added that the idea is not to just survive, because that would just be a step backward, but rather to continue developing the principal areas of the economy, such as biotechnology, the production of medications, and other sectors. He also mentioned the growing movement of solidarity with Cuba in Latin America, particularly in Uruguay. [passage omitted]

Congress Preparations in Cienfuegos Detailed

*FL1010144990 Havana Tele Rebelde Network
in Spanish 1100 GMT 10 Oct 90*

[Text] The subcommittees and groups that will support the process leading up to the fourth congress of the Communist Party of Cuba will be formed in Cienfuegos Province. The first of these subcommittees will analyze issues concerning the structure, content, methods, and work style of the party. The subcommittee in charge of studying the content, methods, and work style of mass organizations and the Union of Young Communists [UJC] was also formed. The UJC working groups and the People's Government advisory groups were also created. The meeting was chaired by Humberto Miguel Fernandez, a member of the Central Committee and first secretary of the party provincial committee in Cienfuegos.

Rodriguez Concludes Visit to Tanzania

FL1110005590 Havana Radio Rebelde Network
in Spanish 2353 GMT 10 Oct 90

[From the "Exclusivo" program]

[Text] Cuban Vice President Carlos Rafael Rodriguez today concluded a visit to Tanzania after attending the final session of the South Commission [Independent Commission of the South on Development Issues]. During his stay in that country, the Cuban leader met with President Ali Hassan Mwinyi to whom he conveyed a message from Commander in Chief Fidel Castro. Last night, Carlos Rafael Rodriguez met with a group of Cuban internationalists, as well as with members of the Cuban diplomatic mission in Tanzania.

UN Security Council Debate on Israel Examined

FL1110133790 Havana Radio Rebelde Network
in Spanish 1155 GMT 11 Oct 90

["Our Opinion" commentary by Orlando Contreras]

[Text] Today is Thursday and the killing of Palestinians in Jerusalem took place on Monday. Condemnations of this new Zionist crime have been expressed throughout the entire world during all these days. Nevertheless, the UN Security Council has not adopted a resolution because the United States opposes a clear condemnation of Israel and threatens to veto such resolution.

I should tell you that the Security Council met until 0414 this morning without adopting any resolution. As is well known, the five permanent UN Security Council members: United States, Soviet Union, United Kingdom, France, and China all have the right of veto. The U.S. maneuver of abominably delaying the Security Council decision is trying to buy time to get an innocuous resolution which condemns violence in abstract and not the one Israel perpetrated against the Palestinians.

However, the nonaligned countries have supported a draft resolution condemning the Zionist attack and ordering a Security Council commission to travel to Jerusalem to investigate these events at the site. It is said that some agreement had been reached regarding this last point. A personal delegation of Secretary General Javier Perez de Cuellar could be sent.

It is expected in the next few hours that, after more lobbying, the Security Council will reach a decision. Some analysts believe that the United States—in order to avoid being isolated—could support a compromise draft resolution which would not condemn Israel directly but which would imply a criticism to the Zionist state.

U.S. Secretary of State James Baker stated emphatically that Monday's events in Jerusalem had nothing to do with the situation in the Persian Gulf thus, ruling out Israel's thesis that Monday's events were organized by Iraq.

I should remind you that approximately 20 minutes ago, I saw the Israeli ambassador to the United Nations through the satellite terminal. He once more repeated the same argument and asked the Security Council to condemn Iraq.

The fact that Washington has not embraced such peculiar approach shows that it is not willing to unconditionally back Israel. It is evident, however, that the U.S. is not considering a clear condemnation of the crime.

It is useful to remind you that the United States has used its veto power at the Security Council 81 times to support Israel since the Zionist occupation of Arab territories in 1967. Washington's position in the present circumstances is delicate because a veto in the council would isolate it from the international community in a matter where there is virtual consensus. Moreover, it would cause a split in the Security Council which has, for the most part, supported Washington's position on the Persian Gulf.

Regarding this last point, a veto from Washington would totally uncover, in an objective and irrefutable way, the U.S. foreign policy's double standard as the killing of Palestinians in Jerusalem on Monday took place in an occupied and forcibly annexed city.

Under these circumstances, will Washington decide to issue its 82d veto in favor of Israel? This is the question that should be cleared up in the next few hours if the United States abandons its delay tactics in the UN Security Council.

Chinese Trade Official Meets Marcos Lage

FL1010142690 Havana Radio Rebelde Network
in Spanish 1212 GMT 10 Oct 90

[Text] Ulanmulun, assistant minister of the PRC's Ministry of Foreign Economic Relations and Trade, has met with the Minister of the Steelworking Industry [Sime] Marcos Lage. The official Chinese representative arrived in the capital last Sunday to work put details of an agreement that will facilitate the production of bicycles and fans in Cuba with Chinese financing, technology, and advice.

This protocol, to be signed tomorrow, will mean that the Sime will be responsible for the operation of an industry that will produce up to 150,000 bicycles when it reaches maximum capacity. It also regulates aspects of the manufacturing of 100,000 fans at the 1 May Inpud [National Industries for Domestic Products and Appliances] industry in Santa Clara.

Bahamas

Maynard Requests UN Assistance for Haiti

FL1010184590 Nassau Domestic Service in English
1700 GMT 10 Oct 90

[Excerpts] While addressing the 45th session of the United Nations General Assembly yesterday, Minister of

Foreign Affairs and Deputy Prime Minister Clement Maynard put forward the Bahama's position on Haiti. Mr. Maynard called on the United Nations to play a greater role in bringing democracy to Haiti. [passage omitted]

[Begin Maynard recording] We believe that the United Nations must also be actively involved in Haiti's quest for democracy and we are confident that this organization will overcome attendant difficulties and respond positively to Haiti's request for security and other assistance in the holding of elections.

We must envision more for Haiti. In keeping with the decision of Caricom [Caribbean Community] heads, the Bahamas would urge the convening of an international conference on the reconstruction of Haiti following successfully democratic elections in that country. We believe that an effective solution to this situation will greatly facilitate the maintenance of peace and stability in the entire Caribbean region. [end recording] passage omitted

Barbados

Foreign Minister Objects to Aid Exclusion

FL1010164590 Bridgetown CANA in English
1440 GMT 10 Oct 90

[Text] United Nations, Oct 10, CANA—Barbados has complained that international financial institutions are penalising it for good economic management.

Foreign Minister Maurice King told the 45th session of the United Nations General Assembly Tuesday the island was being excluded from debt relief programmes because it was not classified as a least developed country. Debt reduction plans proposed by international financial institutions included criteria that did not apply to Barbados, although it was not a wealthy country, King complained.

"The irony is that we are being penalised for sound economic management," he said. King called for a more realistic approach to development aid. He said continued access to concessionary financing was denied to Barbados because of an "over-emphasis on the gross national product per capita criterion, precisely at a time when our economy faces its greatest challenges."

King also called for greater protection of the environment. He said the UN conference on environment and development planned for Brazil in 1992 must come up with a plan to foster the protection he had in mind and the much-needed economic development.

"The success of the 1992 conference will depend on our ability to reach agreement on measures to enhance resources and technology transfers to developing countries," he said. "This is essential if developing countries are to be enabled to play their role in implementing more sustainable patterns of development."

King also spoke about the drug problem and endorsed the growing emphasis now being placed on curbing the demand for narcotic drugs, thus moving away from the almost total reliance on efforts to limit the drug supply.

"The demand for narcotics is equally deserving of international attention as is the supply," he asserted. He told the Assembly that in his own country, Parliament had recently stiffened existing penalties and approved new anti-drug legislation. The laws, he said, sharply increased drug-related offences and put new penalties in place.

King called for UN assistance to Haiti as the French-speaking nation prepared for elections in December.

Dominican Republic

Gasoline Shortages Prompt Outbreaks of Violence

FL1010174590 Santo Domingo Radio-Television
Dominicana Radio Network in Spanish 1600 GMT 10 Oct 90

[Text] Violence has erupted at the gas stations as a result of the fuel supply crisis affecting the country. Civilians, policemen, and soldiers clashed at at least three gas stations yesterday. Shots were fired, people were slapped, shoved, and even hit with rifle butts. A major incident took place at the Dominican Shell gas station located at the Maximo Gomez Avenue around 1000. Dozens of drivers began to protest because policemen prevented them from pouring gasoline into containers. At 1800, a soldier had fire shot in the air after efforts to maintain order at the Texaco gas station located in San Martin Avenue had failed.

Trade Union Breaks Agreement With Government

FL1010191590 Santo Domingo Radio-Television
Dominicana Radio Network in Spanish 1600 GMT 10 Oct 90

[Text] The Majority Workers Trade Union has announced its withdrawal from the agreement reached with the government last month. Nevertheless, the organization, led by Nelgida Marmolejo, said it may reconsider its stand if the government reinstates the workers of the Dominican Electricity Corporation. It also stated that it will continue struggling in favor of the Dominican people's most deep-rooted demands.

Foreign Secretary Issues Appeal for Debt Relief

FL1010192890 Santo Domingo Radio-Television
Dominicana Radio Network in Spanish 1600 GMT 10 Oct 90

[Text] The Dominican Republic's foreign secretary has stated at the United Nations that the economic policy and structural adjustment reforms made recently by the government and other developing countries will not be effective unless the developed countries adopt measures to alleviate the unbearable foreign debt burden. In a

10-page speech delivered at the UN General Assembly meeting in New York, Joaquin Ricardo made a passionate call to creditor countries to implement programs similar to those initiated by the United States aimed at reducing or canceling the debt for official assistance. Joaquin Ricardo said that since his reelection in May, President Joaquin Balaguer has undertaken a rigorous task of modernizing the state in all areas.

Commentary Extolls Balaguer's Leadership

*FL1010200590 Santo Domingo Radio-Television
Dominicana Radio Network in Spanish 1600 GMT
10 Oct 90*

[Station commentary: "The Strength of Balaguer"]

[Text] Few, very few Dominicans and foreigners are capable of resisting the physical, moral, and intellectual pressure exerted on President Balaguer. In addition, President Balaguer works countless days without rest, often eight, 10, and 12 hours at his National Palace office and his home.

Undoubtedly, it is an exhausting, endless, difficult, and stressful task which is performed with extraordinary skill. In sum, it is a task that must be carried out in solitude but surrounded with thousands of requirements and excesses. Balaguer does not stop, he is not intimidated, he does not change his course. The natural fatigue he suffers, as every human being does, turns into strength that is rejuvenated each morning when he begins day with a clear mind to rule a country full of scarcities, constraints, and limitations.

President Balaguer moves forward. He always moves forward. He never goes back. If he has to rectify something he does so by taking two more steps forward. Because he is made of that precious hard wood which is produced by the land and time. He has faith, confidence, and hope in his country, in his people. It is as simple as that.

Haiti

Former President Manigat Plans Return

Court Ruling Awaited

*FL1010140390 Port-au-Prince LE NOUVELLISTE
in French No. 33.906 4 Oct 90 p 1*

[Text] Former President Leslie F. Manigat's complaint against the provisional government's refusal to allow him entry into the country was heard before the Inter-American Commission for Human Rights [IACHR] of the Organization of the American States [OAS] on 26 September.

Following the hearing, IACHR asked the Haitian Government to permit Manigat to return to Haiti. According to an informed source, the government replied that the case is in the courts and that it is up to the judicial system to determine its outcome. The Manigat case, which has

dragged on for several weeks in Haiti's Appellate Court, was finally heard last Tuesday [2 October] by a three-magistrate tribunal. A verdict is forthcoming.

According to Haiti's representative to the OAS, the government states that it will let the courts decide Manigat's fate. But Mr. Ligonde, counsel for the Haitian Government, declared last Tuesday in his speech before the Appellate Court that he does not see why Manigat does not simply sign the declaration renouncing his status as "Haitian Constitutional" president [as published].

State Council Position

*FL1010180390 Port-au-Prince Radio Haiti-Inter
in Creole 2000 GMT 9 Oct 90*

[Text] The State Council has been advised that citizen Leslie Francois Manigat requested to return to Haiti in order to participate in the elections in December. The State Council restates its position and principle regarding Manigat's case: According to Articles 41 and 41.1 of the 1987 Constitution, the executive has no right to deport, nor to oblige any Haitian citizen to leave the national territory; no Haitian citizen needs a visa to leave the country or to come back to Haiti. Upon this basis, the State Council considers that it is unconstitutional for the executive to keep Leslie Francois Manigat out of the country on the basis of state reason. Signed: State Council, at the Legislative Palace, 9 October

Manigat Declares Candidacy

*FL1010183890 Port-au-Prince Radio Metropole
in French 1600 GMT 9 Oct 90*

[Excerpts] I have not filed for candidacy. It is, instead a statement of candidacy. Leslie Francois Manigat has addressed some specifics in an open letter to the Provisional Electoral Council [CEP].

The former president of 17 January 1988 has expressed his intention to participate in the 1990 presidential candidacy in a letter sent by facsimile transmission. Barred entry by a memorandum of the Ministry of the Interior, the former president has no other choice than to write to the CEP. [passage omitted]

Leslie Manigat was clear and precise in his letter. [passage omitted]. He interprets the decision imposed on him since 31 July 1990 as a serious prejudice to himself and his party in the ongoing electoral campaign. Leslie Manigat, secretary general of the Assembly of Progressive National Democrats [RDNP] also wonders about the disappearance of political commitment in Haiti and the elections scheduled for December. Considering that he enjoys great popularity among the electorate, which assures him the right to take part in the December elections, Manigat thinks that these elections will be both incredible and invalid if his party is not represented. [passage omitted].

Progress of Voter Registration Campaign Evaluated*FL1010190090 Port-au-Prince Radio Soleil
Network in Creole 1300 GMT 9 Oct 90*

[Excerpts] According to the President of the Departmental Electoral Bureaus [BED's] Daniel Bernier, voter registration is progressing without serious problems in the whole West Department. Bernier says that most people are registering in the Delmas and Cite Soleil quarters, whereas few are registering in the middle of the [Port-au-Prince] city and Carrefour. The BED president thinks that is due to little motivation, and that the people in those areas do not know where the Bureaus for Registration and Vote [BIV's] are located.

As regards the insecurity problem in the BIV's, the BED's official said that he met with the commander in chief of the police and that new security measures are going to be taken. [passage omitted].

The West BED's added that over 60

of the BIV's are working and there are also some private individuals who have offered to use of their houses for the BIV. These new BIV's will be open soon. Bernier hopes there will be more than one million people registered for the West Department alone, and he informs that several political leaders have already called on the BED's to have information on the registration of candidates. [passage omitted].

Paper Reports Reaction to Lafontant Campaign*FL1010182090 Port-au-Prince LE PETIT SAMEDI
SOIR in French 6-12 October 90 pp 4,22*

[Excerpts] [Passage omitted] Lacking both lucidity and reason, [former U.S. President] Carter ventured to comment on the planned participation of Dr. Roger Lafontant in the electoral contests scheduled for 16 December. The response to Mr. Carter's statements from the ultra-nationalistic population of Gonaives was extremely sharp: "We will not be dictated to by anybody. Long live Dr. Roger Lafontant.....!!!" [passage omitted]

Lafontant armed himself with his pilgrim staff to visit his class and race brothers. In Gonaives, there was frenzied excitement!!! In the 23 districts of the north and northeast, the acclamations were equally enthusiastic: The peasants dropped their field work to surround "The One" they want for president.

In the north region, Dr. Lafontant was warmly welcomed in Barriere-Bouteilles when he was entering the proud city of Cap-Haitien. His trip through the city was followed by working meetings with political leaders, unionists, and notables. [passage omitted] This improvised tour by Dr. Lafontant has reversed the recent political trend. [passage omitted] The middle and working classes have indisputably found their guide!

Under the skillful leadership of the president of the Christian Party of Haiti, Mr. Auguste Robinson, Leslie

Debrosse and other supporters, Dr. Lafontant has been assured by the north and northeast districts that they are supporting him for the good of the country which has been bruised and degraded by pseudo-democrats under the banner of certain leaders.

Jamaica**Dismissed Ministers Mount Political Challenge***FL1010200090 Bridgetown CANA in English
1754 GMT 10 Oct 90*

[Report by Paget de Freitas]

[Text] Kingston, Jamaica, Oct 10, CANA—The opposition Jamaica Labour Party [JLP] was in deep turmoil Wednesday as five fired shadow cabinet ministers announced formation of a reformist wing within the party and plans to challenge party leader, Edward Seaga.

"Mr. Seaga can't unite the JLP and I am prepared to do it," Parnel Charles, the former spokesman on agriculture, told journalists Tuesday night. The party's youth arm, Young Jamaica, has rallied behind the so-called "Gang of Five" dissidents, describing Seaga's action to fire the group as "a cowardly and vindictive act." Seaga retained the support of the women's arm, the Women's Freedom Movement, which called for the resignation of its president, Joan Gordon-Webley, who was dismissed by Seaga this week as secretary general of the Democrat Union [CDU].

The CDU is a grouping of conservative political parties of which the Jamaican opposition leader is chairman. Gordon-Webley, an opposition senator and JLP spokesperson on women's affairs, has been identified with the dismissed group with whom Seaga has been feuding more than half a year. Problems erupted in the JLP last March when several party officials, including one-time senator, Abe Dabdoub, complained that they were being spied on. They said their telephones were tapped and conversations tape recorded, allegedly for criticising Seaga's style of leadership.

The counter-charge was the group, including five of the JLP's 15 parliamentarians—Charles, Karl Samuda, the spokesman on public utilities, Ed Barlett, spokesman on housing, Douglas Vaz, spokesman on industry, and Errol Anderson, spokesman on security—had conspired to oust the party leader.

Seaga has cold-shouldered the group from the start, rejecting their appeals for compromise, even refusing to take their telephone calls on the grounds that he could not speak to people in whom he had no confidence. He publicly humiliated the group during the annual party conference in June. In a closing speech, evoking the imagery of the Jamaica revivalist religious movement, social anthropologist Seaga advised the group to "take a candle, sing a sankey and find your way back home."

Matters came to a head on September 19 when Seaga dismissed Samuda from his shadow ministerial post for making comments on the economy which Seaga charged was not only outside his portfolio but contrary to party policy. Samuda's couched apology at a meeting of the JLP Central Executive at which he declared his acceptance of the principle of collective responsibility, apparently did not assuage the party's hierarchy who insisted that he answer charges before a disciplinary committee. However, Seaga apparently pre-empted such a move when he announced Monday that the group had been dismissed en bloc and would not be allowed to contest elections in the future. It was clarified that the decision to debar the group from future elections was a decision of the standing committee, a grouping of senior party officials.

Emerging from parliamentary session Tuesday night, the five ridiculed Seaga's actions and vowed to take their case to the Jamaican people. They dubbed their informal grouping, which would continue to operate within the JLP, "The Rainbow Coalition."

"Seaga's actions clearly demonstrate that he is incapable of uniting the Jamaica Labour Party," Samuda told CANA Wednesday. "We do not like his style and we do not intend to work with his unilateral decision-making style." Seaga has long been accused of concentrating power to himself and during his tenure as prime minister in the 1980's, was often charged with undermining his ministers by centralising decision-making in his own office.

Charles, who has long nursed ambitions of eventually leading the JLP, has clearly staked his claim. He told reporters Tuesday night that he had not sought to remove Seaga as party leader but "I have ambitions to follow him." Charles declared that the group would not be forced out of the party: "If anybody has a difficulty with us, they must go and form a party."

Samuda, in pledging to gather broad support for the "coalition," argued, "a vast majority of JLP supporters and others who are not allied to the party are convinced that there is a need for a new approach to politics in Jamaica. We are not surrendering the JLP to people who have no moral authority or to some over-ambitious losers," he declared.

As the crisis deepened in the JLP, regional members of the CDU were also being tangentially drawn into the fray. Gordon-Webley claimed on radio here that a number of regional leaders had personally told her of disagreement with Seaga's move to oust her as CDU secretary-general, a job that has gone to a former JLP minister and editor of the GLEANER newspaper, Hector Wynter. She branded Seaga a man "who craves power so much" that he instructed her not to inform other members of the group that a leadership meeting was due, for fear that he be voted out as chairman. The executive of the women's group declared that they had no confidence in Gordon-Webley's leadership.

In Bartlett's constituency, his supporters have been demonstrating. One placard read, "down with Eddie (Seaga), up with Ed." But a JLP member, Neville Lewis, said the party stood behind Seaga in his action against the rebels.

The last major party crisis in Jamaica occurred in 1952, within the now ruling People's National Party [PNP], when the then leader Norman Manley moved against the alleged Marxist cell in the party, expelling a group that became known as "The Four H's" from the party - Richard Hart, Ken Hill, Frank Hill, and Arthur Henry. Seaga told a private party meeting recently that the PNP expelled those four and came back to win the election.

St. Lucia

Prime Minister Mobilizes Drug Strike Force

FL1010173090 Bridgetown CANA in English
1500 GMT 10 Oct 90

[Report by Ernie Seon]

[Text] Castries, St. Lucia, Oct 10, CANA—St. Lucia's Prime Minister John Compton on Wednesday announced the creation of a special strike force to deal with a growing drugs problem on the island. In a national broadcast, Compton said the force would be made up of handpicked officers commanded by a senior and experienced police officer, whose name was not given. The force will be responsible to the prime minister, through the commissioner of police who is also the minister of national security.

The establishment of the force was one of several measures announced by Compton, following a weekend shoot-out between rival drug gangs and the police, which left one person dead and another critically injured. Compton described the incident as an attack on the people of St. Lucia, and directed the police to provide an "adequate response."

Police said more than 20 persons had been arrested so far, and charges ranging from attempted murder to provoking a riot would be brought soon. Compton said the strike force will be equipped with its own transport and telecommunications system. A drug hot line will also be established.

He said: "external assistance for helicopter patrols will be sought; cooperation with Martinique and St. Vincent to halt the traffic by sea will be intensified; and special arrangements will be instituted at the airports." Compton indicated that the government would seize travel documents of suspected drug dealers and would strengthen legislation to enable police to close down other drug-related activities. He declined to give details of other measures, for security reasons. He said police had so far impounded seven boats, and several "drug lords" were in custody.

"Gold weighing several kilos, and arms and ammunition, have been [word indistinct] the nation. Compton

called on St. Lucians to assist the police in their efforts to rid the country of illegal drugs.

"This cannot be left to the police alone. This is a war in which we are all front-line soldiers and St. Lucia expects all her sons and daughters to do their duty." "Whatever the cost, I will do mine," he said.

Trinidad and Tobago

Date Set for Court Hearing on Coup Leaders

FL1010214690 Bridgetown CANA in English
1916 GMT 10 Oct 90

[Text] Port of Spain, Trinidad, Oct 10, CANA—The Trinidad and Tobago High Court has set next Monday to begin hearing a constitutional motion filed by lawyers representing the 114 persons charged in connection with the recent coup attempt here, a defence lawyer said on Wednesday. The motion, filed on Monday, challenges the validity of the treason, murder, kidnapping and other charges filed against the Jamaat al Muslimeen members for their involvement in the uprising. It also seeks their release from prison.

The motion bases its case on a presidential pardon granted to the rebels on July 28 to secure the safe release of hostages held in Parliament, including Prime Minister Ray Robinson and several ministers.

Defence lawyer Farouk Hosein told CANA he visited coup leader Yasin Abu Bakr at the Port of Spain prison on Tuesday evening and Bakr was "happy" about the prospects of winning the case.

"He is confident that when the case comes up next Monday that he and the other Muslims would be freed," Hosein told CANA. "We're confident about this too."

On Wednesday, the prosecution sought and obtained an adjournment of the preliminary enquiry into the treason charges against the accused. Chief Magistrate Melville Baird granted the adjournment until October 24, but said it had nothing to do with the constitutional motion.

Bakr, speaking to reporters from his cell afterwards, said the state was wasting money prosecuting himself and his followers because they had received an amnesty.

He said he would celebrate his birthday on October 19 and wanted "everyone to wear green" the following day as a symbol of "solidarity".

Record Cocaine Seizure Reported in Chiapas

*PA1110015490 Mexico City XHTV Television
in Spanish 0200 GMT 10 Oct 90*

[Text] The largest cocaine seizure in Mexican history has occurred in Chiapas State. Almost six tons of cocaine was discovered on a ranch near the Guatemalan border during an extremely dangerous operation carried out by the Judicial Federal Police.

It was the Antinarcotics Judicial Police who seized the largest cocaine shipment in the history of Mexico. After more than two months of investigation along the border between Mexico and Guatemala, it was discovered that cocaine from Colombia was being stored in Guatemala. The drug was en route to the United States.

Federal policemen seized 5,800 kg of cocaine packed in 172 sacks and three drums at the El Retiro ranch located in the 20 April-Las Garzas area, in Chiapas State.

On 5 October, 40 policemen led by Commander Guillermo Salazar and First Deputy Commander Miguel

Silva found the drugs buried along a clandestine landing strip after a clash with the drug traffickers.

In a news conference, Attorney General Enrique Alvarez del Castillo said that with this seizure, 81 million doses were kept from the market.

[Begin Alvarez recording] After 22 months of work, the Attorney General's Office has seized approximately 70 tons of cocaine. [end recording]

Alvarez del Castillo urged the Antinarcotics Judicial Police to continue to fulfill its duty.

[Begin Alvarez recording] Your conduct, on and off duty, must comply with the law. You must be conscious of the respect each person you address deserves from us. You must work to eliminate violence, mistreatment, and arrogance. [end recording]

In addition to drugs, high-powered weapons, drums of fuel, and a truck were seized during the operation.

Costa Rica

* Calderon Views Economy, First 100 Days

90CA0118A San Jose LA REPUBLICA in Spanish

17 Aug 90 p 13-A

[Text] Today, 16 August, marks my 100th day as president of the Republic. As is traditional, I come before you to report on the most relevant aspects of the government's work during this period.

First, let me say that I know many of you feel troubled, concerned, and expectant at this point in time. I understand you. I know that the austerity program we have had to implement in order to contain the process of deterioration into which the country had fallen has been drastic, and in many cases painful.

I too have been troubled and concerned, because when I learned the real state of the nation, there could be no doubt in my mind that for many years the good faith and credibility of the Costa Ricans had been played upon.

Our country is like a house. On the 9th of May, we discovered that this house had a nicely painted facade, but that in reality, its fundamental structures were in a state of serious deterioration.

As we all know, if we neglect the house we live in, and fail to restore it constantly, insects, time, and moisture will end up destroying it.

And so it is with the nation. If we fail to take care of it and to make the necessary decisions to repair the damage, this damage can end up destroying it.

In our house, which is Costa Rica, the problems were well hidden, but this did not make them any less serious. And it is to the task of clearly identifying them, and addressing them decisively, together with my Administration, that I have devoted all of my time during this period.

I can say, with satisfaction, that, today, my Administration and all of Costa Rica have completed 100 days of work toward a better future.

My first request to all of my Administration colleagues was: "Help me to put the house in order."

As of the very first day, I informed the Costa Ricans of the true condition in which we found the nation's finances. Today, the diagnosis we made then can no longer be questioned. The truth has been borne out: We are faced with a deficit of major magnitude that has accumulated over the past few years in terms of government spending in excess of our revenues.

We were left not even the indispensable funds to meet our payroll obligations to the government workers for the rest of the year. Nor was there the necessary money to repair local roads; nor to build the classrooms needed so that children can study in adequate facilities; nor to properly fund school lunch rooms. The most telling

evidence of this situation is found in the educational sector, where we have been unable to satisfy 80 percent of the requests for schoolrooms; and there are no funds to do so in the near future.

To be even more specific, let me describe to you the current situation of the Rural Guard. There are no funds to provide these public servants with their needs, to the point where many of them are having to perform their duties in tennis shoes, for lack of money to provide them with boots; and official mail in the rural areas is having to be distributed on foot, for lack of money to even buy bicycles.

In addition, the government's Agreement with the international organizations to buy back our foreign debt had been stripped of assets, and we had to scramble to obtain the funds in less than 2 weeks to meet that obligation and derive from it the benefit it yielded to Costa Rica. Today, thanks to our efforts, Costa Rica continues being an honorable partner in the international financial community.

But the problems we have encountered are not limited to the fiscal situation. The ICE [Costa Rican Electricity Institute], RECOPE [Costa Rican Oil Refinery], Waterworks and Sewers, the Central Bank, and the National Production Board, among other public institutions, were amassing losses amounting to billions of colones.

At the same time, the previous Administration's refusal to adjust the prices of farm products in relation to their costs was putting a complete damper on Costa Rican farming, which, added to other factors, was driving farm producers to suspend their activities, sell their land at a loss, and come to the city in the hope of finding a better future.

We found that as of 9 May of this year, and as a result of the deterioration of: social programs; a lack of incentives to the productive sectors, particularly the farming and livestock sector; and a lack of realism in the defining of price and wage policies, that approximately 25 percent of all Costa Rican families were living below poverty levels.

I want to make emphatically clear that the dangerous widening of the social gap in Costa Rica is not the result of measures adopted recently. It is a reality that has become drastically worse in recent years. Attesting to this, as competent witnesses, are thousands of Costa Rican households, especially those belonging to the middle class.

Faced by this situation, which I have described today but which many of you already knew, the government of the Republic realized that either we must act immediately to halt its negative trend, or be faced by a situation of generalized instability in the medium term.

Given the danger, the government did not sit on its hands. Its first step was to introduce a program of rationalization and austerity in public spending. Through presidential directives, we shall achieve,

throughout the rest of this year, a reduction of approximately seven billion colones in government spending.

But the problem we inherited is of such magnitude that these savings will not suffice to balance the budget.

In order to guarantee the wages of government workers and cover those obligations that are indispensable to the continued operation of health, education, nutrition, and other services, as well as to crack down on tax evasion, delinquency, and fraud, the government has introduced a revenue restructuring bill aimed at drastically increasing revenues to fund the nation's operating needs.

We are seeking in this way to prevent an excessive rise in the cost of living and to create a climate of stability for productive activities and the wages of the workers.

But, since economic stability, development of the productive sectors, and improvement of the real value of wages are undertakings that cannot be accomplished overnight, I issued detailed orders to institute, simultaneously with the measures designed to achieve these goals, a program of social relief measures and social improvements designed to help the most impoverished families in conjunction with the coverage of their basic needs.

During the current half of August, the food stamp program goes into effect to help the families in the lowest income sectors located in the country's particularly impoverished regions. I am also sending to the Legislative Assembly the Housing Relief Vouchers Bill, under which those families that have already received a voucher would be freed of that debt, and those receiving a voucher in the future would have to pay only a portion of the value of the housing out of their own funds.

As part of this same line of immediate action in the social sector, I have asked the public health authorities to broaden the system of primary health care for the prevention of diseases, and the nutrition-center and school-lunch programs for the protection and improvement of the health of our country's children and youths.

Under the Housing Program, which, as I promised, we are improving and continuing, we have introduced the requirement that all subsidized housing projects set aside several units to house elderly single persons or single mothers of families and of handicapped children.

This new social sensitivity expresses what we hope will shortly become a reality like the Family Institute, whose purpose is to center the work of the public agencies on the protection and furtherance of the family unit, with the aim of attaining higher standards of living.

Through negotiations with international organizations we have obtained funding for the development of "micro-venture" [very small business] projects that have already begun operations, and of temporary employment programs through which the government will assist heads of families who have completed socioeconomic

studies and who are transitionally out of work, in exchange for work on rural development projects.

We think the most urgent steps toward achieving a decent minimum standard of living for the Costa Rican family are already under way.

But our Administration's goals are not limited to ensuring the survival of the Costa Rican people. We aspire to lifting from poverty those who live in it, and to systematically raising the standard of living of all families, particularly those in the low- and medium-income sectors.

To this end, we have already set forth prioritized steps. The measures designed to rationalize public spending and relieve the pressure it exerts on productive activities have been decided and many of them are now fairly well advanced. We will shortly be introducing for consideration by the Legislative Assembly the necessary bills to rectify the current situations with respect to fringe benefits, pensions, CAT's [Tax Rebate Certificates], and tax abatements. We are also going to subject the drawing up of government budgets to rigorous austerity and efficiency guidelines. We are not going to permit the waste or mismanagement of public funds. As part of this commitment, and in addition to the control measures I myself am instituting, we will be sending to the Legislative Assembly, in the coming weeks, a bill designed to regulate the drawing up of public spending budgets. I pledge to you that, in my Administration, the money you pay in taxes will be well used, and that anyone who strays from this line will be punished and separated from my team of co-workers.

Together with the measures I have cited above, we intend to reform the Costa Rican state-owned economic structure. We plan to transfer the ownership of CODESA [Development Corporation, Inc.] companies to private-sector and cooperative ownership. We intend to slow the growth of employment in the public sector and are procuring the funding necessary to transfer workers, on a voluntary basis, from the government to the private sector.

Let me reiterate my desire to create the conditions necessary for increasing rapidly the number of workers who own their own businesses.

The productive sectors are aware of our commitment to work with them with a view to fostering their growth, because more production, more jobs, and higher wages, all depend on that growth.

We are waging a battle without precedent to lift the farming and livestock sector out of its depression, and, as part of that sector, the coffee-growers and producers of staple food grains. We are providing the coffee-growers with low-interest bank loans on easy terms to enable them to maintain their coffee plantations and the quality of their product so as to be able to compete successfully on the international market. To the producers of staple grains we have guaranteed fair prices for their products,

so that they can live decently on the fruits of their labor and guarantee that in our country there will be no lack of staple foods.

The deeply indebted condition in which the government was turned over to us has compelled us to be especially selective of the public works projects we will be approving. Together with the officials of the Public Works and Transport and the Foreign Commerce sectors, we have defined as high-priority projects those concerning the improvement of maritime port and airport facilities, through which our exportable production must be handled.

In keeping with our commitment to accord priority to the country's most impoverished regions, and particularly Limon, Guanacaste, and Puntarenas, we have decided to concentrate the main thrust of this effort on tourism and fishing, and on attracting foreign firms to install operations in customs-free trade zones outside of the Meseta Central. We are working to enhance the particular incentives we can offer to those firms that make the most use of local labor in the regions I have mentioned.

It is gratifying to be able to report to you that, under the Customs-Free Trade Zones Program we are projecting the creation of 17,000 new jobs and the generation of more than \$400 million in exports.

As I have stated on other occasions, we are hopeful that the measures we have instituted—designed to stimulate the productive sectors, rationalize public spending, increase the availability of bank credit, and lower interest rates—will produce, within 18 to 24 months, a substantive improvement in the real value of wages, an expansion of the labor market, and an increase in our exports.

My priorities for the next 18 months will center on making sure that the government carries out each and every one of the measures instituted to date, whose implementation is intended to produce the necessary conditions for realization of the programs designed to stimulate production and social improvement.

Many of the measures we must implement shortly will depend on decisions that must be made by the Legislative Assembly. I must acknowledge the constructive attitude and the productive atmosphere that have prevailed during these 100 days in the Legislative Branch.

I trust that, in a similar vein, the talks we have been having with the different political, business, and labor sectors will lead to our arriving at understandings that are fundamental to the future of the country.

What I have said thus far does not cover all the steps the government has taken during these 100 days. I have tried only to report to the citizens on the most relevant aspects of my Administration's conduct of the nation's business,

and to reiterate to you my commitments with respect to our economic development, social justice, and honesty in government.

I have governed on a note of truth and I intend to do so throughout my entire term in office. I do not seek to give you the impression that all is resolved or that the crossing, over the near term, will be easy. On the contrary, we are presently going through an especially difficult period, and we will need a great deal of courage and persistence to meet successfully the challenges ahead of us.

I ask of you, I ask of each and every citizen, your cooperation, your enthusiasm, your effort, so that together we can overcome the obstacles that temporarily block our way to growth and prosperity.

The net balance of these 100 days of effort tells us that we are moving forward. We are attending to the most urgent of our problems, which are also the most difficult, but, within our human and financial limitations, we have advanced.

The peace, freedom, and democracy we have built, is the work of all of us. The prosperity, justice, and well-being we shall achieve, will also be the fruits of the efforts of all of Costa Rica.

Thank you very much and good night.

*** Critical View of Calderon's First 100 Days**

*90CA0118B San Jose LA REPUBLICA in Spanish
15 Aug 90 pp 6A, 7A*

[Excerpts] The net result of the Administration's first 100 days can be expressed as "confusion" from the standpoint of economic decisions, according to political and business leaders.

The principal criticism issuing from these sectors is that the Administration has not addressed the real problems besetting the productive sector and the economy in general, such as pension, fringe benefits, CAT's [Tax Rebate Certificate], taxes on raw materials, etc.

The feeling is one of a mere style change in the management of economic relations, in that there has been very little dialogue between the economic authorities and the productive sectors.

The experts find it "contradictory" that while the country's economy is growing at a rate of 5 percent and the volume and prices of its traditional products are rising, as are also revenues generated by non-traditional exports and tourism, the country's balance of payments should be deteriorating rapidly. [passage omitted]

Economists such as Rodolfo Solano, Otton Solis, and Bernal Jimenez, concur in that the measures adopted have produced "uncertainties" in the productive sectors and sectors of the population.

Mr. Solano says that "lowering the taxes on electrical household appliances does not resolve the fiscal problem or the trade deficit. The latter could attain \$500 million by the end of this year unless appropriate measures are passed."

Mr. Solis Fallas asserts that the Administration's problem is "that it has not taken the right approach. This is a country that runs on consensus, and unilateral measures will not work."

Mr. Bernal Jimenez contends that "the 'shock' measures adopted by the Calderon Administration have created tremendous uncertainty, and I don't believe any investors are avid about coming to this country, given the somber picture of its economy and finances the Administration has painted."

The one percent tax on company assets, the increase of 0.75 in exchange differential, and the five percent tax on imports of raw materials and semifinished products led to a harsh confrontation, near the very end of the Administration's first 100 days, between the government and the industrial sector.

These measures were seen by the sector as a disincentive to investments and production. But the cup did not spill over.

President Calderon's promise to Mr. Samuel Yankelevitz, made less than 15 days ago, that the measures would be revoked as soon as the economic belt-tightening program began to yield results, calmed the industrial sector, which, however, harbors the fear of an economic recession.

One of the most important face-offs during this period took place between former Treasury Minister Fernando Naranjo and the incumbent economic team.

In a report to the country on 30 May, President Calderon set forth the measures that would be put in place "to avoid the painful tax on inflation."

He said that his Administration had inherited the largest public sector deficit in the country's history and that the country was living out a fictitious bonanza. Interest rates were too high; disorder was rampant in the sphere of wages; production growth was zero; and the pension system was wracked by imbalances. All of these things had to be righted. And, to counter this, he promised that the government would cut public spending by seven billion colones.

Furthermore, the government puts the exact amount of the consolidated deficit at 37.8 billion colones, the equivalent of 7.1 percent of GDP [gross domestic product]. The former treasury minister contends, however, that the deficit was only 30 billion colones and could be managed through intelligent and well-reasoned policies.

The government began by explaining that the differences stemmed from the methodologies used, but ended up

borrowing words used by the IMF managing director during a visit to this country toward the end of the previous Administration's term, contending that, regardless of the amount involved, the fact remains that the "patient" is ill and requires more than aspirin.

"The situation cannot be taken lightly," says the president of the Central Bank, Dr. Jorge Guardia. The consequences of not acting would be to issue two billion colones in new bonds monthly, said the Central Bank president, and interest rates would skyrocket.

The government's principal achievement thus far has been its successful handling of the buy-back of its debt with the commercial bank, by depositing in a special account with the Federal Reserve Bank in New York the \$253 million necessary to meet 60 percent of its payments on the debt.

In this operation, Costa Rica was helped by Mexico and Venezuela, and made up the additional \$30 million needed to cover interest payments in arrears.

Nevertheless, to obtain the funds needed to pay off the loans, Costa Rica must sign a new agreement with the IMF that will enable the issuing of a check to reduce the debt and make available \$53 million in hard currency under the agreement itself, plus \$120 million to be contributed by the World Bank and the Government of Japan for a structural adjustment.

In the farming and livestock sector, the first 100 days have meant a period in which the producer associations have placed demands on the government, to which the Administration has responded with a few high-visibility measures, although some have not been concrete.

Outstanding during this period have been the measures deployed in support of the coffee production sector—with the agreement making available two billion colones in loans to small and medium-sized producers—and the attention shown to the fishing industry by way of a bill providing for the creation of the Institute of Fishing and Aquaculture.

The farmers in the zones affected by acid rain emanating from the Poas volcano have also received considerable attention in the form of an executive decree, although this has not translated into actual loans.

The government has indicated that it has established permanent contact with the producer associations, but the associations assert that the government has given no indications of having a farming and livestock policy or of its intent to carry out its campaign promises. They point out, as an example, that the revocation of the FODEA Law has not been put into effect and that the banks are continuing to resort to collection through judicial processes brought against small producers in Cartago, Zarcero, Puntarenas, and other localities.

Unrest in the social sector stemming from the economic measures decreed by the government during its first 100 days, and in protest over the promises the previous

Administration failed to keep, has made itself felt in a sustained manner throughout this period.

And this despite the fact that the government has sought negotiated solutions to the outbreaks of nonconformity.

Although there were strikes and significant work stoppages, as well as threats in certain sectors, only in one southern zone did traces of violence threaten to erupt, when the Civil Guard destroyed the barricades the residents had erected, to block accesses, in protest against the elimination of special passes for Panamanians.

The rise in prices of very diverse items in the statistical basic food basket, and of utilities, was accompanied by economic measures that signaled a rise in the cost of living. The 24 July work stoppage in the public sector, for example, revealed the existence of social malaise there as well.

Wage negotiations in a suspenseful atmosphere were followed by the pronouncement of social relief measures, of which only the food stamps component, which goes into operation today, has actually materialized.

In education, the government has eliminated the school uniform requirement and, as part of a new curricular policy, is revising the high school and sixth grade examinations so as to improve their results.

Public safety has been increased, according to sources in that ministry, with the transfer to the capital of 400 military personnel who had been detached to the northern border.

Fuel price rises (two in one month), as well as those for electricity and telephone service, have been significant so far this year. Although some of these rises were initiated under the previous Administration, it is only during these 100 days that their impact has begun to be felt.

During 1990, regular gasoline rose from 26.60 colones to 31.80 colones a liter, then to 34.50 colones a liter, while super went from 27.60 to 33.10, then to 36.40 colones a liter. The rise in the price of diesel fuel, from 21 colones to 27 colones a liter, impacted the public transportation system as a whole, to the point where it was compelled to raise its fares.

Electricity rates rose between 19 and 24 percent, while telephone service rates rose approximately 10 percent.

The SNE [National Electric Power Service] is currently studying an application for a further rise of five percent in electric power rates, and another application for a rise in water rates.

In the case of water, the application calls for a 30-percent total increase, at the rate of 3.5 percent monthly, within a period of one year.

The SNE is expected to rule on these applications next week.

The president took office in the midst of a strike by INS [National Institute for Insurance Services] employees as his inheritance. They were demanding the negotiation of several points connected with the collective agreement.

Fourteen days later, Monsignor Roman Arrieta's intervention brought the proceedings to an end.

Since then, work stoppages have taken place in other agencies, such as the ICE [Costa Rican Electricity Institute] and Recope [Costa Rican Oil Refinery], but without major problems.

Actually, the most troublesome of these actions occurred on 24 July, when the CPT [Workers Permanent Council] called a national civic work stoppage, to protest against the rise in the cost of living and the economic austerity measures. This stoppage received strong backing throughout the country.

As of today, Grecia's municipal workers have been on strike 10 days, in protest against the firing of four union leaders who supported the 24 July work stoppage. Nevertheless, those involved say that the underlying reason is union persecution.

Given the rise in cost of living, the general revision of wages could no longer be put off.

The revision began in the private sector with the National Wage Board's acceptance of the government's proposal in toto, establishing scaled increases ranging from a minimum raise of 11.54 percent—equal to the rise in consumer prices—to a maximum of 16.35 percent.

These increases, however, caused indignation in employer circles, which considered them too high.

In the public sector, the negotiation was more difficult: The Administration refused to base wage adjustments on projected inflation rates, as had been the policy of the preceding Administration, but, in the end, agreed to grant other incentives to its employees, such as higher stepped annual salary increases.

The result was a general increase of 2,100 colones per public employee, which benefited the workers in the lower wage brackets to a greater extent than those in the higher brackets.

For workers in the private sector, the wage increase went into effect on 1 August; and for those in the public sector, it becomes payable on 1 September but retroactively to 1 July. [passage omitted]

*** Survey Reveals Calderon Losing Support**

90CA0118C San Jose LA NACION in Spanish
12 Aug 90 p 5-a

[Article by editor Lafitte Fernandez R.]

[Text] On the verge of completing his first three months in office, one out of every three Costa Ricans approves of President of the Republic Rafael Angel Calderon's handling of the country.

This is the finding of a poll conducted by the CID [Developmental Interdisciplinary Polling Agency] between 26 July and 2 August, based on interviews with 1,200 Costa Ricans throughout the national territory, although most of them (53 percent) live in the metropolitan area.

In the opinion of 34 percent of those interviewed, Mr. Calderon's performance has been good or very good, a perception that was more prevalent among followers of the PUSC [Christian Socialist Unity Party].

According to this survey, 55 percent of the members of the president's party consider his performance good or very good, while 71 percent of the members of the PLN [National Liberation Party] rate it as barely average, bad, or very bad.

An interesting finding of this poll is that about 19 percent of the liberationists [PLN followers] interviewed agree that the performance turned in by Mr. Calderon, who has been the most unrelenting of their enemies during the past decade, has been good or very good.

By way of comparison, the degree of support enjoyed by Mr. Calderon as he nears the end of the first 100 days of his term trails by 10 percentage points the 44-percent approval rating accorded to Dr. Oscar Arias Sanchez's leadership at the end of his first 100 days.

On the other hand, Mr. Calderon's rating for his first three months on the job is running 10 percentage points higher than that of the Monge Administration for the same period of time.

This poll was taken at a time when the main body of news being received by the Costa Ricans concerned changes in the national economy, and when the most pressing item on the Administration's agenda was the reaching of an agreement with the International Monetary Fund, lacking which a strong devaluation of the Costa Rican currency was the likely alternative.

Other items in the headlines between 26 July and 2 August concerned the debate on the future of the Golfito Customs-Free Zone and the reduction of the consumption tax on some consumer items.

The Calderon Administration has devoted a good part of its time to adopting economic measures for coping with a fiscal deficit estimated by officials as being around 38 billion colones.

According to CID representatives, these factors may have had a bearing on "Calderon's performance's not having been better evaluated by the Costa Ricans."

But these factors also led 36 percent to express the opinion that the present Administration has effected a

"big" change in economic policy, while 39 percent feel that there has been very little or no change.

The group comprising the 36 percent, noting an important change, is concentrated mostly in the metropolitan area and consists of persons under the age of 40.

The higher the educational level of the interviewees, or the larger the ratio of those belonging to the PLN, the more this percentage increases.

The change in economic policy reveals another aspect: 43 percent say that the change in policy line hurts, while only 18 percent think that it benefits, the Costa Ricans.

Moreover, those who find their present condition worse than it was a year ago are the ones who most criticize the government's conduct of economic policy.

By the same token, most of those who believe that the change is not advantageous to the country are members of the PLN. But the poll also finds that 30 percent of the Christian socialists agree with the latter that the change has harmed Costa Rica.

The most critical are citizens with higher educations, those residing in the metropolitan area, and those older than 60.

Corruption in government circles is one of the main concerns of the Costa Ricans.

On the other hand, the majority (52 percent) believe that President Calderon Fournier will be able to do little or nothing to control the corruption in government.

A 44-percent minority asserts that the present head of the government will control corruption very much or to some extent, while only four percent say there is no corruption in the country.

The CID study points out that previous findings on this topic suggest that in addressing it, citizens tend to lean "rather toward the opinion they have of government and government officials as a whole, and not necessarily toward an evaluation of the incumbent president's ability or inability to control the situation."

But aside from this question, Costa Ricans have a positive opinion of the Calderon Administration's performance in the area of foreign relations.

This is evidenced by the finding that only 17 percent of the persons polled considered the Administration's conduct of foreign policy bad or very bad.

At the same time, 33 percent expressed the opinion that the Administration's handling of foreign relations was good or very good, and 27 percent thought that it was average.

Characteristics of the Sampling Polled

Of the 1,200 persons polled (half of them men and the other half women), 57 percent reside in the metropolitan area and 43 percent in the rest of the country.

The majority of those polled consisted of: Housewives (28 percent), craftsmen and skilled workers (17 percent), merchants, sales clerks, office workers, and secretaries (10 percent), and unskilled workers and day laborers (six percent).

Another characteristic of the sampling is 48 percent have completed or partially completed primary level schooling, 37 percent have graduated from the secondary level or were unable to finish it, while only 15 percent have a college level education.

Of those interviewed: 41 percent were between the ages of 25 and 39; 25 percent between 40 and 59; 23 percent between 18 and 24; and only 11 percent 60 or over.

*** Central Bank's Reserves Drop \$150 Million**

90CA0118D San Jose LA REPUBLICA in Spanish
12 Aug 90 p 6-A

[Text] The Central Bank lost \$150 million in reserves during the first five months of this year, according to Jorge Guardia, the bank's president and chief executive officer.

He said also that the trade deficit for the first half of the year increased to \$167 million, which, annualized, prefigures a severe projected deficit of \$400 million for the year, according to the Ministry of Foreign Commerce.

In addition, Guardia said, the operation involving the buy-back of its debt with the international bank compelled the issuing bank to lose still more of its reserves. He also said that, had the situation been allowed to continue without adopting adequate measures, the Central Bank would have run completely out of reserves before the end of the current year.

He said that, to avoid that situation, the bank reactivated its exchange policy, increased the exchange differential by 0.75 colon, remained in the short-term financial market, reducing liquidity, and adhered to the previously adopted decision to gradually increase revenues, so as to slow the import drain. Imports nevertheless continued rising. Record imports during May and July hit historic highs—over \$170 million in each case—whereas exports, for reasons he did not explain, lost their initial strength.

*** Free Zone Exports May Reach \$100 Million**

90CA0118E San Jose LA REPUBLICA in Spanish
19 Aug 90 p 2-A

[Text] Exports under the customs-free trade zones act are expected to reach \$100 million this year, according to Minister of Foreign Commerce Roberto Rojas Lopez.

Mr. Rojas stressed the importance of this system to Costa Rica's future, citing medium-term projections as relevant. We estimate, he said, that over the next five years some 70 new firms will opt for the free-zone system, creating some 17,000 direct new jobs in the process, and exports of around \$400 million.

Customs-free trade zones contribute to the generating of foreign exchange, in that they convert into hard currency all domestic value added to the processing of raw materials and semifinished products, as well as all the domestic services provided in relation to such operations.

In Mr. Rojas's opinion, Costa Ricans should become more deeply knowledgeable about the system of customs-free zones, it being a system of completely transparent incentives, uncomplicated by concerns over tariff "ceilings" and "bases," or by considerations of exchange differentials.

He said, moreover, that customs-free zones can play a stellar role in the transition from a semiagricultural economy to an industrial or service-oriented economy, in that they act as intensive training schools for labor coming from the farming sector or from household activities with very reduced marginal productivity, converting it, on the job itself, into more highly productive salaried labor.

Guatemala*** 1991 Budget To Exceed 5 Billion Quetzales**

90CA0121B Guatemala City SIGLO VEINTIUNO
in Spanish 18 Aug 90 p 3

[Text] Finance Minister Juan Francisco Pinto Casasola estimates that Guatemala's revenues and expenditures budget for 1991 will attain five billion quetzales, according to a preliminary study.

"This figure is approximate," he said, "and I estimate that the budget for next year will represent an increase of 1.5 billion quetzales over this year's, considering the recently approved subsidy for public urban transportation in several cities and towns around the country."

The minister pointed out that this year's budget, which totals around 3.5 billion quetzales, is the same as the 1989 budget at 1988 prices. "In drawing up the draft budget bill for 1991, we must update prices with respect to government operations, works projects, and general expenses," he said.

He emphasized that some data still need to be refined and that the final figure will be known around the beginning of September, when the budget bill is officially submitted to the Congress of the Republic.

He also announced that around the end of August the municipalities will receive the eight percent share of the revenue to which they are entitled under the Constitution, which in this case will total 35 million quetzales.

"Payment of this shared revenue is one of our priorities," he said, "and we are working on the allocations to each of the 330 mayoralities."

In addition, the treasurer has submitted a request to the Congress for a budgetary increase of 400 million quetzales to cover government operating expenses for this year. This sum includes the 30 million quetzales recently allocated to the national hospitals, as well as other outlays that must be disbursed before the end of this year. It also provides for continued coverage of the urban transportation subsidy, which totals approximately 40 million quetzales for the period of June through December. This increase would bring the total of this year's budget to around four billion quetzales.

The finance minister also commented on the Executive veto of Legislative Decree 43-90, with respect to Emergency Regulations applicable to the Income Tax Legislation. "We requested this veto," he said, "because we are not in agreement with the way in which Congress modified the draft bill we submitted to it. The final result of that law would have caused problems for the Treasury and would have decreased our revenue."

He added that he has no intention of reinstituting proceedings involving the Legislative Branch in this regard, and that, consequently, the law will remain as is. Yesterday's Official Bulletin (17 August) contained the text of Decision 720-90, which vetoes the mentioned law, and stipulates that Decree 43-90 infringes, in the first place, on the legality of the system, and, in the second place, on the collection of taxes, thus justifying the denial of Executive approval.

* Higher Interest Rates Cause Recession Fears

90CA0121D Guatemala City SIGLO VEINTIUNO
in Spanish 17 Aug 90 p 17

[Text] The Bank of Guatemala's decision to forcibly raise interest rates will result in an increase of 40 percent in the cost of credit, with its consequent recessionary effects, and severe damage to production and the economy, warned the president of the Bankers Association, Roberto Ortega.

Through this measure, the Administration expects the Bank of Guatemala to collect sufficient money to enable Finance Ministry to balance the national budget, while also reducing the supply of quetzales in circulation otherwise available for buying dollars. But the fact is, says Mr. Ortega, that, given the damage it will do to production, the only thing this measure will produce is a sterile cost.

The bankers' representative on the Monetary Board, Rodolfo Castellanos, for his part, pointed out that the measure was decided unilaterally and arbitrarily by the Bank of Guatemala, since, when the Board decided to auction foreign exchange, it also decided to allow the

market to set the interest rate. Nothing whatever was said about open-market operations, Mr. Castellanos emphasized.

The former president of the Bankers Association, Mario Porras, stated that the makeshift and arbitrary rise in interest rates will provoke a crisis in the financial system. He estimated that commercial credit interest rates could reach 38 percent, while in cases of farm credit (for implements, equipment, etc.) and industrial and farm operating credit secured on equipment and product, the rate could exceed 40 percent.

Furthermore, said Mr. Ortega, this Administration is offering to pay interest at 25 percent within six months, when due within five months. The result is that the funds thus withheld are being spent by this Administration, leaving the bill to be paid by the next Administration.

Mr. Porras pointed out that five months ago, a similar measure was introduced raising interest rates to 24 percent. On that occasion, he emphasized, the authorities realized the problem, retrenched, and lowered the rate to 18 percent.

The bankers indicated that interest rates of 38 and 40 percent can be paid only by very strong exporting firms receiving their payments in dollars, and as long as the quetzal continues its devaluation trend. This unfortunate measure will raise the cost of credit and provoke a recession, unemployment, and an uncontrollable increase in the cost of living, they concluded.

* Housing Shortage Grave, Growing Worse

90CA0121E Guatemala City SIGLO VEINTIUNO
in Spanish 19 Aug 90 p 14

[Article by Ana Cristina Castaneda]

[Text] According to a study made by the Guatemalan Chamber of Building Construction, the housing shortage in Guatemala's urban area in 1986 amounted to some 635,000 units.

But if one considers that the population has grown at an accelerated rate of approximately 2.8 percent [annually] in recent years, it is logical to suppose that the housing shortage has also grown considerably, generating a need for more than 40,000 housing units annually.

Even if the demographic growth could be controlled, the shortage already amounts to approximately a third of a million housing units in the urban area. On the other hand, more than 55 percent of Guatemala's population consists mainly of persons younger than 20 years of age, who will shortly be needing new housing units.

Guatemala has never had a building construction activity commensurate with its needs. Its most active period was between the years of 1977 and 1979 as a result of the 1976 earthquake. Construction during that period attained an average of 22,000 units per year. But activity declined again in the years that followed, to

levels of less than 10,000 units annually, thus contributing to the accrual of housing shortages of more than 20,000 units annually.

Given the quetzal's progressive loss of purchasing power, wage increases have hardly, if at all, compensated the workers, so that the inability of families to afford the monthly payments for housing is not expected to change significantly.

The low-income family's budget is only able to allocate between 10 and, in the best of cases, 30 quetzales a month to the payment of installments on the purchase of housing.

Furthermore, it must be considered that the savings potential of 70 percent of Guatemalan families is less than 115 quetzales a year, since almost their entire budget must go toward satisfying, even though only partially, their basic needs such as food, clothing, health care, and education.

Currently, more than 80 percent of the total population lives in overcrowded housing conditions and/or encampments in the outskirts of the cities, in dwellings consisting of a single room where the family group sleeps, eats, cooks, and carries out all its daily activities.

"Unless the present rate of construction increases, only one out of three families will have a formal home ten years from now."

The building contracting sector maintains that the housing shortage is essentially a problem of bank credit rather than a construction problem; therefore, the solution lies in being able to offer loans at low interest rates, so that families can acquire ownership of their homes.

"On the one hand, the majority of Guatemalan families don't have a large enough savings capability, and on the other hand, the bank credit system in our country is incapable of serving the needs of the country's population," says Jorge Franco, head of the Guatemalan Chamber of Building Construction.

"The building of housing is a major outlay in terms of financial and human resources, which cannot be financed at current interest rates of around 22 percent," says Mr. Franco.

The Chamber's 1986 study indicates that the minimum value attained between 1979 and 1983 for mass-produced housing ranged between 6,600 and 8,300 quetzales, with an average of 7,500 quetzales, per unit.

"This amount or a larger one could be paid by a family, depending on the rate of interest at which the purchase of the unit is financed and the portion of the family's income that can be allocated to the monthly payments."

The document states that "if the purchase of homes could be financed at interest rates as low as 3 percent, then 81 percent of the social problem posed by the housing shortage would be resolved."

"Besides resolving the social problem," it adds, "the associated productive activities would spark the country's economic recovery, generating around 138,000 permanent jobs."

It estimates that if the solution of the deficit is spread over some 15 years, construction would also absorb the housing needs arising during that period, which are calculated at over 583,000 additional units.

This would mean 12 billion quetzales of additional economic activity and an annual average of 1,200 million quetzales [as published].

"The funds could be provided by international development banks, which customarily offer credit for this purpose at special low interest rates. Regardless of the origin of such funds, however, the net cost of money for the financing entities needs to be equal to or less than 8 percent annually."

The study points out, moreover, that "the estimated cost of the handling of accounts averages around 3 percent of the value of the loan, which would bring the rate of interest on consumer loans to the order of 11 percent."

"What we are indicating to the government is the need to analyze the possibility of applying differentiated interest rates to housing policy, and of dedicating the taxes on housing construction activity, which now total 20 percent, to the subsidizing of these interest rates," says the head of the Guatemalan Chamber of Building Construction.

"Considering that the impact of current interest rates on the housing sector is deadly, it is our view that, as a society, we must make an effort to differentiate interest rates by population strata, based on the needs and economic condition of families concerned," says Mr. Franco.

The problem, in sum, is one of great magnitude and significant social consequences, requiring concrete action and political decisiveness by the government for its resolution, or at least to avoid having it become a disproportionate phenomenon.

Honduras

* Reportage on Presidential Agrarian Accord

* Social, Economic Goals

90CA0127A Tegucigalpa LA TRIBUNA in Spanish
28 Aug 90 p 3

[Text] The government of Honduras, peasant organizations, and cattlemen and farmers groups yesterday signed the Agrarian Accord, in an attempt to bring the conflict in rural areas to an end.

Attending the special ceremony held in the Blue Room of the Presidential Mansion were: President Rafael Leonardo Callejas; the president of CONACAH [National Peasant Development Coordinating Group of Honduras], Marcial Caballero; the leader of COCOCH

[Peasant Organizations Coordinating Committee], Ines Fuentes; and the president of FENAGH [National Federation of Farmers and Cattlemen of Honduras], Roberto Gallardo.

Also present were the director of the INA [National Agrarian Institute], Juan Ramon Martinez; the minister of education, Jaime Martinez, and the minister of natural resources, Mario Nufio.

Other special guests attending the ceremony included the president of the College of Attorneys, Leonidas Rosa Bautista, peasant leaders, agricultural officials, and others.

The CNTC [National Field Workers Coordinating Group] and ANACH [National Association of Honduran Peasants] did not, however, attend the signing ceremony.

The first point in reaching this accord entails seeking a permanent agreement so that all participants in the agrarian sector are able to work out their differences in a civilized and peaceful manner.

The second point concentrates on making sure that the agrarian sector has a greater input in drafting economic policies.

The accord also attempts to ensure a tranquil climate in agriculture. This should stimulate investments and spur job creation, enabling peasants to stay in rural areas, thus easing urban pressures.

As a consequence, the nation should have sufficient "breathing space" to produce enough agricultural goods and services to provide food for the Honduran people and to generate the foreign currency needed to strengthen the national economy.

The signers also hope that this agreement will practically put an end to the peasant invasions, which have caused so much damage to the nation's agricultural production.

The INA will oversee this accord, and the signing parties (farmers, ranchers and peasants) are going to set up monitoring groups to evaluate progress on matters related to credit, marketing, technical assistance, providing lands, international connections, preparation of policies, etc.

The agreement is also intended to create a situation in which agricultural production will not depend solely on nature, but also on the farmers' efforts, commented Juan Ramon Martinez.

* ANACH Refuses to Sign

90CA0127B Tegucigalpa EL HERALDO in Spanish
28 Aug 90 p 34

[Text] San Pedro Sula. The president of ANACH [National Association of Honduran Peasants] Luis German Lagos yesterday afternoon said here, that his

organization did not sign the agrarian accord because "it is nothing but a compromise intended to paralyze the Agrarian Reform."

"The agrarian accord signed today (yesterday) is nothing but a fanciful and empty document," said Lagos, stating that about two weeks ago they gave President Rafael Callejas "a report containing our arguments against that policy. We expect to receive a response to our report this Wednesday."

According to Lagos, the Agrarian Reform will not come about by signing documents, and such documents will not keep the conflicts in rural society from worsening; this will require "a firm political determination."

"The issues of production levels and land possession will be resolved when there is a political determination to do so," insisted the agricultural leader, stating that this year the budget allocated to the INA [National Agrarian Institute] was 18 million lempiras, but that 19 million lempiras were being wasted "just on salaries" for bureaucrats. "So how much is being put into Agrarian Reform?" he asked.

Lagos said it is strange and ridiculous that the peasants are told that "they shouldn't invade lands," when people know quite well that they do so because they are hungry and because of lack of compliance with the Agrarian Reform law. "If they are asked not to invade lands, then the INA should give land to people who don't have any land, so they can work it," he said.

He pointed out that one of the reasons why the ANACH did not support the agrarian accord was that they were never willing to eliminate Antiterrorism Decree no. 33, which calls for prosecution of the farm workers seeking to recover a little bit of land where they can work and maintain their family on a subsistence level.

In the opinion of the ANACH president, the leaders who signed the "agrarian agreement document do not represent any grass-roots organization, and they have been living in Tegucigalpa for a long time. They've forgotten the countryside, and the only thing they want now is to make a name for themselves and get their photographs in the newspapers."

In speaking of COCOCH [Peasant Organizations Coordinating Committee] and CONACAH [National Peasant Development Coordinating Group of Honduras], which signed the agricultural agreement, the ANACH leader said: "They have no legal status."

According to the ANACH leadership, ANACH has over 80,000 national members and has been involved in the struggle for 28 years; it will continue to demand compliance with the Agrarian Reform law, for "we owe this to our grass-roots."

In the meantime, Samuel Vasquez, secretary of finance of the Cortes Regional Association of the CNTC [National Field Workers Coordinating Group], said his group did not sign the agrarian pact because "we didn't

consider it suitable. It gave us no benefits at all; it only helps people who already have land. It's nothing but politics."

Jesus Guerra, organization secretary of the National Executive Committee of the CNTC, said the agrarian accord is "a delaying tactic in the agricultural process." As proof of this, he cited the fact that this year the institution's budget was cut by 10 percent in comparison with its 1989 budget.

He added that during the past six months of discussions, problems in agriculture have worsened, for dozens of farm workers have been jailed and many of our national comrades are being prosecuted for the crime of "terrorism."

"There is no justification for the fact that after six months the INA has still not said either 'yes' or 'no' concerning the agricultural cases that are gathering dust in their files," he concluded.

All over the nation, the CNTC has over 800 grass-roots organizations representing a total of 65,000 peasant families, most of whom do not own any land at all, according to the organization's statistics.

* CNTC Attacks Accord

90CA0127C Tegucigalpa EL HERALDO in Spanish
28 Aug 90 p 34

[Text] The organization secretary of the CNTC [National Field Workers Coordinating Group], Desiderio Avila, said that his organization, which has a membership of about 70,000 peasants, decided not to sign the agrarian accord because it is intended to soften the impact of the popular movement's struggles.

Avila said that while they talk about working out an agreement, thousands of farm workers have been sent to jail, charged with being "terrorists," while all the time the government knows the problem is purely agrarian.

He said that "today" (yesterday), President Rafael Callejas was supposed to sign a document giving amnesty to political prisoners, but he did not do so.

Avila maintained that they also did not support the accord because "it is one more lie by the nationalist government," and that Callejas yesterday began to renege on his promises, when he failed to make the pro-amnesty document a reality.

"We are tired of the Callejas speeches which are just that—speeches—as he has left all his promises unmet, without putting them into practice," noted the CNTC leader.

He said that when Callejas did not sign the document they knew they might be affected, but they have no regrets, for "in any event we will continue to have problems with the land, and they will keep on putting our peasants in jail."

"We do not support the accord because it is one more lie on the part of the government; it is a way of softening the impact of the struggles of popular movements," Avila concluded.

* Sixty Percent of Grain Crop Lost to Drought

90CA0128E Tegucigalpa EL HERALDO in Spanish
15 Aug 90 pp 20-21

[Article by Francis Bojorquez; first paragraph is EL HERALDO introduction]

[Text] Numerous losses in basic grain crops have been reported in the southern region of Honduras after a lengthy drought, virulent attacks by plant pests, and the lack of timely credits, placing the government's announced agricultural superproduction plan in jeopardy.

An analysis of the situation in the area by the nation's major agricultural organization, the INA [National Agrarian Institute], has determined that there have been losses of about 7,342.20 hectares planted in basic grains. This is a serious setback—approximately 60 percent—to production.

Of the total of 28,371.48 hectares allocated by the INA to the reformed sector, only 10,536.39 hectares were actually cultivated. Of these, 7,324.20 hectares have been lost, for reasons which farm workers attribute to the refusal by the major agricultural financing agency, Banadesa [National Agricultural Development Bank] to grant credits.

Lack of Credit Reflected in Agriculture

Ciriano Rodriguez, representative of the farm workers and farmers organizations in the southern area, maintains that basic grain production by peasant groups has declined by 60 percent "because of the lack of farm credit, Banadesa has refused to grant them credit as there have been so many repayment delays in the groups."

Regional agricultural officials agree with Rodriguez's explanation, saying that one factor affecting almost all production was that many land parcels were not cultivated by the peasant groups because credit was not available when it was needed.

The delays in repayments by peasant groups in the reformed sector and by independent farmers to agricultural financing agencies, according to the data provided, amount to 216 million lempiras which will be virtually impossible to pay if mechanisms are not provided for rescheduling these debts.

The overdue payments to Banadesa, the IDB [Inter-American Development Bank] and the INA, due to the high debt costs because of consecutive crop losses, have reduced the incomes of those producers who are unable to introduce technical improvements to farm the land, thus their crops are affected.

Major Supply Gap

The National Agrarian Institute's regional director, Pablo Hernandez, attributes the decline in grain production to adverse climate conditions, such as the lack of rainfall and other factors, plus the fact that producers do not want to cultivate more profitable crops.

The southern region's contribution to national production is 243,860.64 quintals of miscellaneous basic grains a year (corn, "maicillo," beans, sesame and sorghum); of this production, 86,232.96 quintals are used for the farmers' own consumption, and the rest is sold.

Of the total southern grain production, 132,506.71 quintals are of corn; 90,422.85 quintals of "maicillo"; 5,815.90 quintals of beans, 2,170.81 of sorghum, and 12,984.63 quintals of sesame, according to regional agricultural statistics.

Nevertheless, this production does not provide enough to feed the southern population, since there is a supply gap. An annual total of 23,519.09 quintals of beans are needed for domestic consumption, but the area only produces, as was reported, 5,815.09 quintals.

Drought and Pests Intermingled in the South

In the Choluteca and Valle area, basic grain production has declined in volume for both domestic consumption and commercial sales, so the local people have to pay 1.80 lempiras a pound for beans, and two lempiras for a pound of corn, prices considered high in a region where these crops are grown.

The INA regional director said they expect that in the coming months of the year, basic grain production will increase filling in these large gaps to improve local consumption and sales, and reduce imports since they have 371 peasant groups working in the area.

The impact of the drought and plant pests has made itself felt with the damage to basic grain production, especially in the agricultural areas of El Corpus, Monjaras, El Triunfo, Concepcion de Maria, Namasigue, Choluteca, San Ramon, and Marcovia, and also in the areas of Texiguat and Morolica.

The area's dependence on rainfall for crops becomes a crisis factor when the drought intensifies; in this regard, the extension director of the ministry of natural resources, Rene Adalid, hopes that there will be greater production in coming months, but said that the area still remains dependent on rainfall.

Little Prospect for Change in the Area

The representative of the southern farm workers, Ciriano Rodriguez, holds the view that the agricultural production decline in this part of the country cannot be attributed to the peasants not working the land, but rather to natural causes, such as uncontrollable plant pests and diseases, the drought, and other factors.

Nevertheless, no matter what the situation, the reality is that peasants cannot sell their limited production to the market because they need it for their own consumption, and so there is no possibility of providing grain to meet the southern population's supply shortages, nor will there be any such possibility in the short term.

Estimates made by Rodriguez say that of each 2,000 hectares planted in various grains, the peasant groups lose 500 hectares, while each of them has an overdue debt to the agricultural financing agencies of about seven million lempiras.

With all these adverse factors, the 371 peasant groups working in the region are limited to subsistence agriculture, accumulating annual losses that make it ever harder for them to emerge from economic stagnation and improve their difficult living conditions.

* Survey Shows Support for Economic Program

90CA0128A San Pedro Sula LA PRENSA in Spanish
15 Aug 90 p 2

[Article by Jorge L. Barrios; first paragraph is LA PRENSA introduction]

[Text] Tegucigalpa. While 36 percent of the people of the capital describe President Rafael Leonardo Callejas's performance during the first four months of his term as "average," almost 45 percent feel that the economic measures the government has ordered are "partly correct," and 44 percent believe unemployment is the nation's major economic problem.

These findings were determined by an opinion poll conducted among Tegucigalpa's residents by students at the Journalism School of the UNAH [National Autonomous University of Honduras], as part of the practical work the students do in communications research techniques at the university. The survey was entitled "President Rafael Leonardo Callejas's First 120 Days in Office."

According to the report based on the results of this opinion poll, four variables or possible responses were used in the poll, contained in a form along with six statistical questions on sex, marital status, educational level, occupation or position, and employment.

The poll also contained two questions concerning the respondents' knowledge of national events; five questions on the government's recently implemented Economic Restructuring Law; nine questions related to inflation or the cost of living; three on popular reactions to the present situation; and one final question on President Callejas's performance during his first 120 days as president.

The purpose of the poll was to determine the opinion of the Honduran people living in the nation's major city on the new administration's first four months in office. Earlier, the president had announced that after his

administration's first 100 days, the Honduran people would notice significant economic changes.

The survey planners felt that the city of Tegucigalpa was appropriate for this study because it is the population center most representative of the nation's different sectors, and "their influence is decisive in the behavior of the Honduran people"; furthermore, sufficient funding was not available to conduct the poll all over the nation.

Methodology Used

According to this report, for the poll a list of: residences, neighborhoods and housing developments, including the number of housing units and families, was obtained from the Tegucigalpa social welfare department; a Central District map, prepared by the National Land Records Agency was also used; this map includes the cities of Tegucigalpa and Comayagua, divided into 34 sectors and covering both population centers.

The study was conducted between 15 May and 15 June of this year, after preliminary theoretical work and investigation lasting approximately 40 days, had been completed.

The Journalism School report adds that the analysis unit included: housing stratified by urban area and within that area, by social sectors, classified into an upper class, a middle class, a poor class, and an underclass. The information unit consisted of the head of the household of the housing unit selected, regardless of that person's sex.

Given the nature of the study's theme, the investigators selected a stratified sample. This means that the sectors chosen for the analysis were categorized as: high income, middle income, low income, and extreme poverty stricken sectors.

Furthermore, because of the heterogeneous nature of the population groups chosen, over 1,000 persons were polled; 96 of them were rejected in order to provide greater polling accuracy so the sample was reduced to 904 heads of households.

The report notes that 47.23 percent of the persons polled were males and 52.77 percent were females (427 men and 477 women). Their ages were 18 years and older. The majority of the persons polled ranged in age from 26 to 35, followed by people from 36 to 50 years of age.

Results

For the country's general situation, the possible responses used were: "it's going well," "more or less well," "wrong direction," and "did not answer."

As a result, it was determined that after 120 days of the Callejas administration, only 8.85 percent of the population in the capital are optimistic about the nation's leadership, while 47.35 percent either believe that it is being mishandled, or are completely pessimistic about the nation's prospects.

This means that for each person who supports the way in which the administration is conducting affairs, over five think it is doing a poor job.

According to the pollsters, the "more or less well" response should be considered a transitional answer. As the cost of living is on the upswing, the government has no immediate intentions of increasing the minimum wage, and protest movements such as strikes, demonstrations, and other indications of unrest are on the rise.

From this point of view, the report indicates that hypothetically, it may be induced that the 43.14 percent of the sample who responded "more or less well" "still have slight hopes that the government may change the nation's course," but that it might very soon change its opinion and support [sic] the way the administration is currently managing the nation's affairs.

In such a case, 90.39 percent would feel that the government was implementing the wrong administrative policy, or to put it in another way, nine out of each ten residents of the capital would then disagree with the national government.

Effects of the Economic Package

Concerning the effects of the Economic Restructuring Law, the Journalism School study establishes that 10.62 percent feel that the economic steps taken by the new administration have improved their situation so far this year, compared with 67.37 percent who think these economic adjustments have worsened their economic position, while 20.24 percent believe their situation has remained the same.

According to the survey, this means that of each ten residents of the capital, over eight do not feel they have derived any benefits from what is known as the "economic package."

The opinion survey also found that over half of the 904 persons polled disagree with the fuel price increase implemented several months ago, and the majority agree that this increase is affecting prices of other consumer goods, primarily foods, medicines, and transportation, as well as other areas.

On the cost of living, 82.96 percent of those interviewed said "it has increased a lot;" 12.83 percent said "it has increased a little"; 3.54 percent said that everything "is the same;" and 0.64 percent responded that they didn't know.

The report further states that 18.14 percent of those surveyed feel that their current income is sufficient to satisfy their needs, while 67.15 percent answered that their current income is inadequate to meet their needs; 10.84 felt that "it more or less covers their needs."

In the opinion of the pollsters, "it is clear that this category of 10.84 percent will very soon become part of the 67.15 percent who feel their current income is not sufficient to meet their everyday needs, so the percentage

of the population which may feel seriously hurt by the 'economic package' could rise to 78 percent of the sample used in this study."

The results of the study show that 44.58 percent of the capital's residents list unemployment as the nation's major economic concern, followed by the cost of living, cited by 22.23 percent of those polled, and poverty, mentioned by 16.26 percent of the people polled, who consider it the nation's major economic problem.

The Journalism School study also questioned the views of the capital's residents on the economic measures the administration has taken. Of those questioned, 17.59 percent answered that "they are correct;" 32.19 percent feel they are "incorrect"; and 44.91 percent feel they are "partly correct." Of those polled, 5.31 percent said they did not know.

On the people's opinions about the Callejas administration's performance, the poll showed that 36.07 percent rate it as "average"; 22.90 percent say it is "good"; 9.84 percent consider it "bad"; 8.41 percent say that is "very bad"; 9.07 rate it as "very good"; and only 7.96 feel the government is "excellent."

The sample used for this study was distributed in 36 neighborhoods and housing developments in the Central District. Thirty-two Journalism School students, coordinated by Ramiro Sierra Rodriguez director of the communications research techniques program, worked on the poll.

*** Poverty: 15,400 Families in Capital Slums**

90CA0128C San Pedro Sula TIEMPO in Spanish
18 Aug 90 p 15

[Article by Carlos Mauricio Flores]

[Text] Tegucigalpa. Over 100,000 residents of this capital city, many from rural areas, most of them working in the informal economy for incomes under 200 lempiras a month, are living in dilapidated and overcrowded slums, in subhuman conditions even though national legislation guarantees decent housing for all Honduran people.

Both in Tegucigalpa and in Comayagua there are approximately 2,000 slum buildings registered with the DAI [Tenancy Administrative Department], though there are believed to be more unregistered units, housing a population exceeding 100,000 inhabitants in miserable conditions.

Tortilla makers, domestic workers, laundry workers, shoemakers, carpenters, day laborers, police and street vendors, are some of the people of this city who live in old, even archaic hovels, built with rough wood that could collapse from one moment to the next.

This situation is a violation of the Constitution of the Republic, which states in Article 178: "It is recognized that the Honduran people have the right to decent

housing. The state will develop and execute housing programs for the benefit of society."

In its second paragraph, this article adds: "The law will regulate the rental of housing and rooms, the use of urban land, and construction, in accordance with the general welfare."

According to the DAI, there are about 1,800 slum buildings in the capital in which 15,400 families are living. This is a total of 100,000 people, but DAI officials estimate that the number is even higher, as hundreds of these buildings are unregistered.

Construction of these slum units varies, but in general they are made of cinderblocks and old wood, and some are even adobe; all of them are well beyond their useful lifespan, and could collapse at any time.

These 40 to 40-year old buildings contain tiny rooms of only a few square meters. This limited space has to serve for cooking, living, eating, and sleeping.

These slum buildings contain 20 to 30 rooms, and the tenants pay a monthly rent of 40 to 50 lempiras; even though most of these rooms lack basic services, poverty forces people to live in such places.

Property owners like Santiago Padillo, one of the biggest slumlords in the city, of whom there are 10, ignore the DAI regulations, because the authorities, it was reported, "can't take action against him."

According to a list provided by the DAI, some of the other slumlord owners of these squalid slums are: Olivia de Borjas of la Cabana; Jose Humberto Caron of Colonia San Cristobal; Blanca Rosa Carias, Avenida Centenario; Eusebio Banegas, Colonia Soto; Daniel Cruz, Colonia Las Mercedes; and Pedro Caceres, El Reparto.

Dora Medina, a DAI social worker, said that conditions in these slums are terrible, because of overcrowding and the lack of sanitary conditions.

According to law, the floor should be made of artificial materials, but the majority of these units have dirt floors, and the roof is patched together with old tiles; now, during the winter, "the water comes through just as it would outside."

The majority of these properties do have drinking water and electricity, but the terrible thing about it is the way in which the tenants receive these services.

In many of the slum units, in what seems to be an imitation of the feudal system, slumlords ration services by time. In some of these rooms, drinking water is only available for two or four hours a day.

According to a study the DAI conducted in 1988, half of the capital's slum units do not have toilets, or like Jose Leon Hernandez's room in the Villadela neighborhood, there is only one toilet for 21 rooms.

"The way these people have to live is totally unhealthy," said Medina, who recently visited this building to make an inspection.

According to statistics, 26 percent of the people who live in these unhealthy buildings are from the capital; 23 percent from areas immediately adjacent to the city; 10 percent from Choluteca; 7 percent from El Paraiso; 5 percent from La Paz; 5 percent from Comayagua; 4 percent from Olancho; and the rest from other parts of the country.

Of a sample of 1,804 families, 32.5 percent work in skilled trades as shoemakers, carpenters, bricklayers, plumbers, barbers, and mechanics; 22 percent do domestic work, holding jobs as tortilla makers, household workers, and laundresses.

Of this sample, 14 percent are engaged in a wide range of commercial activities; 8 percent are transportation workers; and 6 percent are in miscellaneous jobs, such as porters, and the rest are in other occupations.

According to this DAI investigation, the tenants' average income is 206.08 lempiras, although there are people earning as little as 150 lempiras a month.

* Polls Show Family Situation Worsening

90CA0128B San Pedro Sula LA PRENSA in Spanish
22 Aug 90 p 72

[Text] Hondurans who say that the cost of living has increased under this administration have a more negative view of family situations and of the status of the population in general, in comparison with last year, reveals the most recent opinion poll conducted by the CID-Gallup organization.

Of those interviewed, more in San Pedro Sula than elsewhere in the nation answered that they were living worse now than last year.

Of the persons polled, 5.8 percent said that in comparison with last year, their family's standard of living was better; 19.9 percent said it was the same; 73.1 percent said it was worse; barely 1.2 percent said they didn't know, or did not answer.

In comparing the results of the January 1990 poll with the present results, there was a 92 percent increase in the number of people saying that the situation is worse now.

In a future projection, people were asked how they feel their family's standard of living will be next year. Their answers showed pessimism: 40 percent feel that their family will be worse off next year than this year. This opinion tends to rise with the age of the person interviewed; younger people are generally more optimistic about the nation's future than their elders.

In summary, 15.1 percent of the Honduran people believe their family will be better off in 1991; 39.1 percent feel it will be worse off; 21.5 percent said it will

be more or less [the same]; 15.3 percent said they didn't know; and 9.0 percent did not answer.

On the cost of living during the past four months, in the opinion of the poll's respondents, it has risen a great deal; seven out of 10 persons share this view.

* Human Rights: Age Discrimination Described

90CA0128D San Pedro Sula TIEMPO in Spanish
22 Aug 90 p 15

[Text] Tegucigalpa. About 450,000 Hondurans over 50 have no employment options since businesses and the government do not give them an opportunity to prove they can still be useful, representatives of the nation's social security institutions reported yesterday.

CIPROTED [Technical Interinstitutional Senior Citizens Committee] is attempting to conduct activities enabling each of the social security institutions to include these persons in their retirement and pension programs.

According to the executive director of INJUPEMP [Executive Branch Employees and Executives Retirement and Pensions Institute], Cesar Augusto Rivera, CIPROTED is working to develop government policies to protect people in this age group, classified as younger senior citizens.

The government policies are intended to create awareness among the population that people in this age group can be productive, so they will be placed in the position they deserve.

Of the 450,000 Hondurans over 50, only about 6,000 are covered by the nation's social security institutions, like INJUPEMP, which has 1,600 retired and pensioned employees, IPM [Military Social Security Institute], with 400, and INPREMA [National Teachers Social Security Institute], with about 3,000 retired teachers.

Yesterday CIPROTED's members held a press conference to explain the way and dates in which each of the institutions plans to mark Senior Citizen Week, over a period of four months.

INJUPEMP will celebrate Senior Citizen Week at the end of August, INPREMA in September, IPM in October, INFOP [National Institute of Professional Training] in November, and the ministry of labor in December.

The opening ceremony will be conducted jointly on 28 August, with the closing ceremony to be handled in the same way in December. Each institution has scheduled activities designed to integrate younger senior citizens into everyday activities, both at home and on the job.

According to INJUPEMP's executive director, senior citizens feel society doesn't want them, and he believes that by promoting some activities, they may be willing to retire voluntarily, giving them time to enjoy their retirement.

In Honduras the average lifespan is 60 to 65 years, and the authorities are making efforts to encourage people to retire soon enough so they can enjoy their retirement, and in this case, improve their lives.

Nicaragua

Cesar Reportedly 'Could Be' New Foreign Minister

PA1010135290 Managua Radio Sandino in Spanish
1246 GMT 10 Oct 90

[Text] There will be changes in the government soon. It has been said that Alfredo Cesar could be the new Nicaraguan foreign minister. Apparently Alfredo Cesar will be unable to remove National Assembly President Miriam Arguello from her post and will have to look for another post of great political importance. Political circles have been saying that Alfredo Cesar will soon be the new Nicaraguan foreign minister, that current Foreign Minister Enrique Dreyfus will be the new Nicaraguan ambassador to Washington, and that current Ambassador to Washington Ernesto Palacios will return to Nicaragua to occupy a less important post.

It seems that these changes seek to accommodate the new personnel policy that Violeta Chamorro's government is trying to implement after experimenting with a number of officials who were politicians or technocrats lacking the backing of influential parties. The Nicaraguan weekly newspaper EL SEMANARIO, which will circulate tomorrow, 11 October, includes news reports on the possible changes in Violeta Chamorro's cabinet. Chamorro has requested that public officials tender their resignations by Christmas.

Government's Military Spending Criticized

PA1010044590 Managua Radio Catolica in Spanish
1130 GMT 9 Oct 90

[Report on statements by Economist Dr. Francisco Jose Laines; place and date not given]

[Text] According to the official documents the government has delivered to the delegates attending the national dialogue, 34 percent of the government's expenses to date have been used for the Armed Forces. In other words, \$65 million have been allotted to the Sandinist Army and \$35 million to the police. Nicaragua is following the pattern set by Mexico, which ranks fourth in world oil production. The people are being asked to make more sacrifices, whereas the business activities and the standard of living of the elite groups continue to improve. Outstanding economist and analyst Dr. Francisco Jose Laines made the following statements for our newscast this morning.

[Begin Laines recording] It is important to realize the state of affairs and not be confused by very lengthy explanations of boring procedures. In the first place, we are holding the national dialogue to discuss the economic and social situation. In the second place, the national

dialogue calls for a program that will determine the economic and social costs that must be paid and the sacrifices that must be made by the producers, consumers, and private citizens.

Leaders and groups who are part of the Sandinist Front made their demands and threats public. Some felt that the call for civil disobedience had failed. I do not share that point of view. What really happened is that the government, as expected, yielded once again to the pressures. Only in that manner was it possible to have an atmosphere that allowed the Sandinists to join the second phase of the national dialogue. We moved from tension to a truce. There is a close rapport, even though we are unfamiliar with the details and the scope. [end recording]

A true national dialogue should lead to a true national reconciliation. A secret understanding between the government and Daniel Ortega cannot produce reconciliation, but discontent. Thirty-four percent of the budget has thus far been allotted to the Armed Forces. Let us listen to more statements made by Laines.

[Begin Laines recording] The national dialogue should be held out in the open, not secretly. Those who control the government, however, prefer that it be secret because the Sandinists understand each other better in secret or behind the people's backs. They have been doing this since they proclaimed they were going to rule from the opposition, following their electoral defeat. That rapport will be like an accelerator in an automobile. It will remain steady as long as the agreements are complied with, and it will exert destabilizing political pressure if the agreements are not complied with.

What will this rapport accomplish? From what has been reported, one can conclude that it will guarantee the Sandinists' support for their so-called revolutionary achievements, respect for the organizational chart of the Sandinist People's Army, and complete disregard for the administrative actions taken prior to 25 April 1990, including all the laws. The massive returns of lands, enterprises, and homes will come to an end, and only those carrying the approval of the Sandinist Front will be authorized.

There might also be some possibilities of constitutional reforms that will support certain economic measures related to the operation of banks and private financial companies, as well as to the privatization of foreign trade. This is a fact that all Nicaraguans must think over: A Sandinist government with a National Sandinist Directorate is ruling behind the scenes. [end recording]

Panama

PCC Administrator Views Canal Privatization

PA1110025690 Panama City LA PRENSA in Spanish
10 Oct 90 p 1

[Report by Nubia Aparicio S.]

[Text] The new Panama Canal Commission [PCC] administrator, Gilberto Guardia, has said that privatizing the canal—after the year 2000—is one of the options available to the agency that administers and operates the waterway.

Guardia was approached with the issue by LA PRENSA after a ceremony to honor him at the Panama South Rotary Club, where he is a member. The administrator said that the canal is an interoceanic route that Panama will receive completely free of economic obligations and to privatize it would mean putting it on the market and selling it for an as yet undetermined price.

Nevertheless, Guardia stated that this alternative is not clear, adding that one of the tasks "Panamanians have is to analyze all the alternatives regarding the operation of the canal and to look at all the options so that we can make the right decision."

Guardia said that there is another alternative that has come up and that would be to privatize the agency that operates it, but not the Canal per se, meaning it would be possible for Panama to retain 100 percent of the canal property, without the need to privatize it.

According to Guardia, there is another alternative along those lines and that is for the Republic of Panama to own the administrative agency as well, but with the participation of government and private sector organizations. With that option, the government alone would not administer the organization, which leaves it very vulnerable to political ups and downs.

In Guardia's opinion, significant participation by private organizations in the administrative agency would assure the nation that its best men are responsible for administering the canal, the nation's most important enterprise.

The PCC administrator warned that politics should be kept clear of canal operations because partisan politics cannot disregard the wish of elected candidates, "and we know that one of Panama's weaknesses is to take into account a person's political affiliation when, for example, determining who is to be hired."

'Grand Crusade' Against Drug Mafia Advocated

PA1110015790 Panama City CRITICA LIBRE
in Spanish 10 Oct 90 p 4

[Unattributed editorial: "The Challenge From the Drug Mafia"]

[Text] The savage abduction and subsequent torture of an official of the Customs Directorate should make all Panamanians take pause, because it is a clear message from the drug mafia that it is resorting to violence in our country.

The harsh blows dealt to drug traffickers in our country by the General Customs Directorate and the Judicial Technical Police [PTJ] are no secret because the criminals have reacted by warning the authorities that they are ready to carry out executions of those who oppose the distribution of drugs in Panama.

The fight has begun with this challenge by the drug traffickers. It should not, however, be a singular confrontation, but one of all the Panamanian people, who should support officials, like Rodrigo Arosemena, who have the courage to confront these international criminals.

We reiterate that it is not the struggle solely of the Customs Directorate and the PTJ against "the organization," and that both Leslie Loaiza and Rodrigo Arosemena should find support, because this confrontation concerns all of us. We must see ourselves in the mirror of our Colombian neighbors, how the drug traffickers and the leaders of the Cali and Medellin Cartels have destroyed the image of Colombia and have committed countless assassinations of prominent officials of that neighboring southern country. Under no circumstances can we Panamanians allow the Colombian incidents to be repeated here. Every family should become a brigade against drug addiction and drug dealers.

The Panamanian people must bear in mind that it was the former dictator Manuel Antonio Noriega and the corrupt military leadership that undermined the foundations of Panamanian society with drugs and made our country a sanctuary for drug traffickers. With the tyrant in prison, the criminals are taking desperate action, and with the help of elements displaced from political power, they are trying to install a regime of terror based on abductions, assassinations, and intimidation.

That is why all of us must be united against the escalation of crime. We must rid this country of drug dealers and traffickers who have poisoned our youth. Each Panamanian woman must see in herself the customs secretary who was abducted, tortured, and abused by godless people who respect no laws, whose criminal activities cannot and must not prosper in our country.

We insist anew, this must be a fight for all of us, not one or two government institutions. Yesterday, it was the woman named Lourdes. Tomorrow, it could be any of our relatives. We, therefore, advocate to each Panamanian family a grand crusade against the vultures who have devoured the dignity of the Panamanian people. Everything in Panama that has to do with drugs has a stench. It is repugnant. Even more loathsome are those who are dedicated to trafficking in cocaine, marijuana, heroin, and the hallucinogens that poison the souls of our youths. Let us stop them now when there are public officials ready to face them. The time has come to fumigate the criminals out of our country, because we deserve a better destiny. Let us not allow the messengers of death, the legacy of a dark and degrading past, to pass. Let us face them. The night of the narcotyranny is far behind us.

Argentina

Government Condemns Israel for Jerusalem Violence

PY1110014090 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 2305 GMT 10 Oct 90

[Text] Buenos Aires, 10 Oct (NA)—The government today harshly condemned "the serious violent incidents" that occurred on Tuesday [as received] in Jerusalem, where 20 Palestinian demonstrators died at the hands of Israeli Army troops.

The executive branch repudiated the Israeli attack, noting that "it resulted in numerous dead and wounded among the Palestinian population," and expressed its "condolences and solidarity to the relatives of the victims."

It also made an "urgent" call for "the Fourth Geneva Convention to be fully respected, and for the painful cycle of violence that has caused so much suffering for the peoples of the region to be brought to an end."

The government, in a communique issued today, reaffirms its conviction that "UN Security Council Resolutions 242 of 1967 and 338 of 1973 must be effectively complied with" and demands "the right to self-determination for the Palestinian people."

UK Official Says British Support Policy

PY1010212390 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1350 GMT 10 Oct 90

[Text] Buenos Aires, 10 Oct (NA)—Tristan Garel Jones, UK deputy secretary of state for foreign and commonwealth affairs, has recommended that Argentina should "pay its debt" if it wants to attract foreign investments. He added that the decision to send troops to the Persian Gulf can be "compared, at the Latin American level, to the fall of the Berlin Wall."

Jones said that the "British Government fully agrees with the economic policy implemented by Argentina" but admitted that "it is a very hard path."

He said that his country has "already been along that path. Regarding privatization, we believe that British banks and advisers can play an important role in the Argentine privatization process." He added that if "British banks become involved, many British companies will follow them."

He indicated that "the Argentine economy is part of a liberal world economy, a policy of privatization, but we are also in a world where debts must be paid."

Jones noted that "the debts with several British banks have not yet been paid" and "in order to recover world confidence those debts must be paid."

He told CLARIN: "Great Britain is not big or arrogant but we continue to be the second biggest investors in the world."

Jones believed that it would be "inappropriate" to comment on the differences between the two countries on the administration of fishing resources in the South Atlantic while negotiations are taking place.

He admitted that there are "problems" that cannot be hidden, but he said that "there are indications that an agreement can be reached."

He pointed out, however, that in relation to the Antarctic, "the Argentine and British Governments share practically the same position on this issue."

Regarding the presence of Argentine naval ships in the Persian Gulf, Jones praised the government decision by saying that "it can be compared at the Latin American level with the fall of the Berlin Wall" because it breaks a tradition of isolation. He added: "The fact that Argentina responded favorably to a world request is so significant its impact will be seen in the next decade."

Chile's Pinochet Makes Visit to Mendoza

PY1010201290 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1700 GMT 10 Oct 90

[Text] Mendoza, 10 Oct (NA)—General Augusto Pinochet, the former Chilean president and current Army commander, has made a 12-hour visit to Mendoza. Pinochet departed this morning for an unknown destination on what reliable sources have described as "a secret and private" trip.

The Aconcagua Television station reported today at noon that Pinochet and eight bodyguards registered at about 2130 last night at the "Aconcagua" Hotel. The report added that all of them left the hotel this morning at 0900 for an unknown destination, probably Buenos Aires.

The television station reported that Pinochet arrived in Mendoza driving his gray BMW with his bodyguards traveling in three other vehicles. The report added that the bodyguards "were absolutely silent about the activities to be carried out in Argentina" by the former de facto president.

Official sources at the government and military levels said they had not been informed of Pinochet's mysterious presence. But sources consulted by NOTICIAS ARGENTINAS confirmed today at noon that Pinochet was indeed lodged at the Aconcagua Hotel, that he personally greeted the hotel staff, and that he remained inside the hotel until his departure this morning.

Arrives in Buenos Aires 10 Oct

PY1010205590 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1858 GMT 10 Oct 90

[Text] Buenos Aires, 10 Oct (NA)—General Augusto Pinochet, Army commander in chief and former de facto president of Chile, arrived in this capital on board a Chilean Army Lear jet [two preceding words in English]

and was received at 1400 at Ezeiza Airport by a high-ranking military chief from his country.

After disembarking from the plane, registration no. C-650, Pinochet—who was dressed in civilian clothes—entered an automobile that was waiting for him on the tarmac and headed toward the downtown area of this city.

NOTICIAS ARGENTINAS has established that the military man made stopovers in Mendoza and San Juan.

Gonzalez Departs for Germany Seeking Investment

PY1010210890 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1847 GMT 10 Oct 90

[Text] Buenos Aires, 10 Oct (NA)—Economy Minister Erman Gonzalez departed this afternoon for Germany, where he will try to convince businessmen in that country to invest in Argentina. Gonzalez departed at 1535 [1835 GMT] accompanied by Rafael Iniesta, Economy Ministry director for external financing.

Menem on Incidents in Ushuaia, Privatization

PY1010213490 Buenos Aires Domestic Service in Spanish 1600 GMT 10 Oct 90

[Text] President Menem made some comments at Jorge Newbery Airport upon returning from Ushuaia. He noted that the individuals who provoked incidents in this city during the dedication of a gasoline station belonging to the Argentine Automobile Club were clearly identified and added that if the persons responsible for these incidents turn out to be employees of provincial or national state enterprises they will be dismissed.

Menem said that the group was made up of 30 people who he described as outlaws and troublemakers and who, he said, belong to the Communist Party, the Movement Toward Socialism, the Workers Party, and the State Workers Association.

Menem also announced that he will veto the bill proposing financial autonomy for the courts because Congress has added the so-called parity law [ley de enganche, which seeks to establish parity between the salaries of provincial and national judicial employees] as a rider to the bill.

Menem also labeled the Entel [National Telecommunication Enterprise] privatization process a success despite the postponement of the deadline for the STET [expansion unknown] consortium to sign the transfer agreement.

Menem praised this privatization process, which was carried out by the government in record time. He admitted, however, that the state and the firm that was awarded the enterprise committed a series of negligences.

*** Angeloz Warns Against More Economic Austerity**

90SM0263C Buenos Aires LA PRENSA in Spanish 26 Aug 90 p 4

[Text] Cordoba—The governor of Cordoba, Eduardo Angeloz, has urged the nation's authorities to take "rigorous and well considered care" with the consequences that could ensue from further economic austerity. He noted that there have been "ups and downs" in the economy, remarking that there have been "some successes and a series of blunders."

In remarks to newsmen shortly after officially opening the 17th National Agricultural, Industrial, and Commercial Exposition organized by the Rural Association of Cordoba, the governor said that he had heard of the possibility of new economic measures "only from reports in the media."

Accordingly, he stated that no matter what sort of austerity plan is adopted, the government must be careful not to cause "some sort of social crisis." He went on to say that "when unemployment persists, mainly in Greater Buenos Aires, and when there are major pockets of poverty, great attention must be paid to the results that new measures could cause."

When asked about how the nation's economy is doing, he asserted that it has had "ups and downs," with "some measures being successful, such as the privatizations, although I would have used a different method if it had been my responsibility. I think that there have been some successes and a series of blunders."

As for the prospects of achieving a political accord, Angeloz felt that "this possibility has existed since 1916," and he urged making use of the "common sense, prudence, and capabilities that each of us as leaders has to contribute so that we can put together the best accord, which the country needs."

He asserted that over this century "many opportunities" have been wasted, adding that "to mention just one, Balbin and Peron did so unfortunately in the twilight of their lives; if they had done so before, we would have narrowed the gap that we now still have to bridge."

"Mediators"

Lastly, when asked whether yesterday's Balbin-Peron might not be today's Angeloz-Menem, the former presidential candidate replied with a flat no, explaining that "I never make individual, personal references in this sort of thing." He then reaffirmed that "this is a fundamental task for the political parties, which are the mediators of the will of the people."

Discussing the opening of the rural fair, Angeloz described as "inconsiderate" the Hilton quota assigned

to Cordoba. After demanding "equitable conditions vis-a-vis the rest of the provinces" from the national government, he asserted that "the endless fiddling" that is going on in the area of withholdings and exchange-rate policy "is discouraging."

On this same issue, after recalling that when he is in the Federal Capital, he lives in an apartment there, he explained sarcastically that "since I had my doubts, I took the elevator to the roof to find out whether any cows were being raised there, because I just couldn't understand" why the capital had been assigned "such a large quota."

He added that "the erratic behavior of exchange rates is also disturbing because of the great uncertainty that this causes," inasmuch as at times they lag behind and other times "they shoot sky-high owing to speculation and lack of confidence," and he criticized the Central Bank's interventions in this area.

* Unstable Economic Situation Causes Concern

90SM0263B Buenos Aires LA PRENSA in Spanish
26 Aug 90 p 9

[Report by Sergio Crivelli]

[Text] Carlos Menem's closest advisers (his brother Eduardo, Manzano, Bauza, Dromi, Kohan, and Erman Gonzalez) have endured a week of frenzied activity and meetings far into the night to resolve the administration's most pressing problems: cutting the budget deficit, replacing overseers in state-run enterprises, and speeding up privatizations. Concern that government was not being cut back at the desired pace began to get the best of the president, and the men around him (also known as the mini-cabinet) know that they are now in overtime. If they do not succeed in getting a handle on the deficit and if inflation remains out of control, heads will roll. The much announced revamping of the cabinet will be a fact.

Hence the urgency in putting new people in charge of applying the tourniquet to government-run enterprises and hence the slips, such as the one by Minister Dromi, who spoke of imposing price controls, thus causing businessmen's hair to stand on end and upsetting the president himself. The minister of public works and services was actually just repeating in front of witnesses—and tape recorders—a hypothesis that had been banded about some hours before at a meeting of the mini-cabinet at which there was tangible nervousness over the out-of-control markets.

The political tensions caused by the renewed outbreak of inflation prompted Menem to demand the enforcement of Decree 435, which slashes government spending, and to put his trusted colleagues under mounting pressure. The current economic situation is not substantially different from 30 days ago, however. What has happened is that now that the euphoria over the privatizations of ENTEL [National Telecommunications Enterprise] and

the airline has passed, the fact that an austerity program has not been applied has hit home even harder.

The standby loan will not bridge the gap, and last Thursday in Congress Jose Luis Manzano urgently called on the opposition blocs to support the tax package, arguing that there would be no new loans from the Fund and that the government's revenues must come only from taxes.

Tax revenues are, in fact, slackening. VAT receipts have been stagnant for four months, and the same goes for internal taxes. All this highlights the increasingly glaring paralysis of economic activity. The inevitable way out of this predicament is to cut spending, for which reason Gonzalez was put in charge of both the outlays and finances of the state-run enterprises and a decision was made to replace the overseers.

Labor Power

The previous undersecretary of this branch, Diego Estevez, failed because he granted rate increases to enterprises that did not cut spending and are bankrupt, like SEGBA [Greater Buenos Aires Electrical Services]. His replacement, Luis Prol, is regarded, in contrast, as a man who is better equipped to deal with the unions. Nonetheless, any plan to cut the spending of these enterprises will remain a fantasy if the overseer takes up his post with strings attached and without the very staunch support of the chief of state.

What happened in YPF [Government Oil Deposits] was typical, as the new overseer was harshly attacked by SUPE [United Trade Union of State Petroleum Workers]. As long as the head of the union, Diego Ibanez, has a direct line to the president and the overseer has a direct line only to Erman Gonzalez, the state-run oil company will not shrink. And all indications are that so far the president has not taken any decisive steps towards a break with the civil-service unions; thus, SEGBA, YPF, and the railway will keep on posting losses that are incompatible with the stability plan.

Unless the current trend shifts 180 degrees, the forecasts cannot be optimistic. The shaky fiscal situation will continue to put pressure on monetary policy, which will in turn affect the foreign-exchange market and prices. The only prescription that the Economy Ministry thus has is further austerity amid the current stagnation, which will translate into more unemployment. And we are not even considering that a strict enforcement of Decree 435 would leave some 200,000 civil servants without work.

What options is the administration mulling over given this picture? Very few. A replacement for Gonzalez is still nowhere to be seen, nor is there a satisfactory alternative to the gradual austerity program that is being applied. Gradualism is a slow method of achieving stability and has worked only in cases such as Chile, where the political framework and the homogeneous government roster cannot be compared to Argentina.

Graduated austerity has therefore become a political cross for the Menem administration. The Executive Branch is today condemned to coexisting with recurring inflation, as it observes watchfully—and with alarm—the course that society's increasingly bad temper is taking.

The man who seems unwilling, however, to watch impassively as the administration's image deteriorates is the nation's vice president. A week ago Eduardo Duhalde put some distance between himself and economic policy, warning about potential social explosions in statements that, though he later toned them down, upset the top echelon of the Executive Branch. The vice president is going to have a tough electoral battle on his hands next year in his province and is in no position to concede any advantages. His words must be interpreted in this light, although some hard-core Menem supporters saw them as a declaration of war.

These disturbances in the palace aside, it is obvious that the battle for control of the country's number one electoral district will be an extremely tough one in 1991. Peronism will have to make a major effort if it wants to retain the governorship; therefore, it cannot remain "stuck" to a strongly recessionary economic strategy that is not managing to curb inflation even at that price.

Looking towards 1991, the Buenos Aires Radicals, Melchor Posse in particular, have already begun to make their moves, and the dissident faction of the Justicialist Party (PJ), the Cafiero backers and the group of eight, is preparing to break with the Menem faction. That wing of Peronism will form a front with the PI [Intransigent Party], the Christian Democrats, and socialists and will seek to win the votes that the administration loses on the left.

In turn, a split of this magnitude in the PJ would pave the way for a possible understanding in Buenos Aires between the Menem faction and the UCD [Democratic Center Union]. This option will surely be considered by the six national deputies from the district at a meeting slated for tomorrow at 2100 hours in the home of former governor and current UCD lawmaker Jorge Aguado. The UCD's stormy nomination process will also be brought up at the meeting, inasmuch as the party's destiny will very likely be at stake in next year's elections. In this regard, there are those who want to preserve the group's identity and those who are leaning towards overtly closer ties with the Menem faction. Any strategy, however, will surely be tied to the future of the economic plan, about which we can offer only a guarded prognosis for the time being.

The Coming Reform

Another project that is also subject to the ups and downs of the battle against inflation is constitutional reform, an initiative that Eduardo Menem and Raul Alfonsín revived last Wednesday. In the administration's view the basic purpose of this gambit is to secure a constitutional

reform and reelect the president. Eduardo Menem therefore agreed to sit down and talk with the former president even though he had criticized his brother Carlos very harshly just hours before they met. The chief of state is seemingly willing to pay a very high price in credibility in exchange for his possible reelection and may even agree to create the post of prime minister that the Radicals are pushing for. According to plans that are still under wraps, if an institutional reform were to be carried out, the prime minister would be appointed by the chief executive but could be removed by a two-thirds majority of the Chamber of Deputies.

* Historical Factionalism in Labor Unions Viewed

90SM0263A Buenos Aires LA PRENSA in Spanish
27 Aug 90 p 4

[Report by Rodolfo Agustin Perri]

[Text] The creation of a "certificate of official recognition" has not succeeded in simplifying the absurdly complicated picture that the Argentine labor movement currently presents, as week after week it displays new facets of a by now customary ailment: factionalism and disunity.

Let us say first that the tendency to subdivide and create new factions is not peculiar to the local labor movement. Far from it. It goes back to the very birth of the labor movement during the second half of last century and has persisted unaltered over the decades, as described in, among other works, the objective and very useful "History of the Argentine Labor Movement" that Sebastian Marotta failed to complete.

This tendency has almost always stemmed from trade union grievance actions, from different tactics and methods. It has almost never been based on support for this or that political faction or party. New sets of initials have emerged from every congress, and except for Peron's CGT [General Confederation of Labor] no union has enjoyed lasting predominance.

From 1946 to the fall of Peronism in 1955 there was the "top-down system," which was how one of the union factions "without Peron" was described, the one that followed the exiled caudillo's instructions and orders to the letter.

This was perhaps the most stable era for the labor confederation proper, inasmuch as power was shared by Jose Alonso (a Peronist) and Riego Ribas (a non-Peronist). Changes then came, and not even Peron's return could prevent the continued existence of factions that were at odds with each other to varying degrees. At present the CGT-San Martin and the CGT-Azopardo are merely repeating tried-and-true rallying cries and keeping alive the labor movement's two fundamental principles: "action or dialogue."

A Kafkaesque Labyrinth

We said at the outset that the official certificate does not solve the puzzle. Far from it. The official view is, logically, based on the specific fact that there is a relationship between the government and the unions, a relationship that does not recognize dual representation; by issuing a document to confirm the existence of one of the two, the government has thus resolved the problem, at least ostensibly.

Neverthe'ss, the birth of the new CGT is far from certain if we bear in mind that the Ubaldini faction has reaffirmed its intention to hold its announced congress on 17 October, while the independents are following their comfortable course of "joining only a unified CGT"; thus, Zanola, Cavalieri, Lescano, and several others are keeping their seats in the front rows without, however, applauding any of the people on the stage itself.

There are also "orientations" in the CGT-San Martin: the "professional" Liaison Board and the President Menem Liaison Board, which the garrulous officer of the pro-administration union, Luis Barrionuevo, created and is now running and using. The "professional" board reportedly has almost the same number of supporters as the group headed by the leader of the hotel and restaurant workers union and, in our opinion, is the direct heir of the Management and Labor approach that the pro-dialogue forces took in the 1970's. The current labor minister belonged to these forces at the time (and encouraged them), and in the final accounting they were the only ones who always postponed the political issue and a head-on collision in the search for a dialectic, evolutionary approach.

The Azopardo CGT, for its part, has two factions that could eventually cause a major split after the request for a truce by oil-workers union leader Peombara and the demand for a congress and for the reelection of the aggressive De Gennaro, who is accompanied first and foremost by Maria Sanchez.

As we can gather from this mere listing of factions, unless there is a shakeout in favor of one or another group, "certification" will just be another minor episode. Some very important dates are coming up, such as 17 October; a failure then would mean the union farewell of the "Ubaldini faction." And there is also 7 November, when Saul Ubaldini's mandate expires, at least in the view of those who withdrew from the congress in San Martin Theater, inasmuch as for those who stayed behind, the secretariat and board of directors that Andreoni heads still have three more years in office.

Decline of the Strike Approach

This proliferation of factions should not cause us to overlook one increasingly obvious piece of evidence. The "a priori strike" approach is fading away, with the exception of the teachers group. Even De Gennaro's group of "head-on fighters" are content with rallies, shouting, bass drums, and racing through the corridors

in certain ministries and state-run enterprises. A march here and a rally there (with the usual, annoying stoppage of traffic, which they would do well to think about, in the manner of the many praiseworthy events that councilman Padro has staged and that we recommend keeping in mind) outside the Labor or Economy Ministry. That is all.

The teachers, in contrast, are continuing their suicidal course (they are regrettably including the involuntary death of public education among their goals), averaging a shameful one day on strike for every ten in class.

For three years now our children and young people have been getting this deleterious message of civic irresponsibility. The school days lost, we will repeat without a hint of weariness, will never be made up. And none of the strikes were of any use other than to repudiate our educational obligations (although they did keep this or that teachers union leader constantly in the limelight).

Some clever commentator will at times invent a successful slogan, like the very common poster that reads "Put down that bass drum and pick up your chalk." This is merely anecdotal, however. Economic problems exist in every era. Suspending classes never was and never will be a solution, but it seems to be a beneficial activity for those who organize and lead the work stoppages, with the assumed, enthusiastic support of the entire left-wing press....

Official Opinions

Some final notes about the almost constant dialogue during the plenary session of the CGT-San Martin.

As far as Minister Triaca is concerned, an industrial recovery is under way (automotive parts, textiles, garments), and it must be supported by a redistribution of the work force. "The responsibility of capital must focus on straightening out the economy." "All we need now is a new push in construction, and the panorama will improve considerably."

In the view of Erman Gonzalez "consumers themselves must combat the unrelenting increase in prices by being selective and not buying items whose prices have been hiked excessively. We must educate the consumer."

This is not a new idea; it was put forth on this same page during the interlude when inflation was calm. We added, however, with some memory of the past, that in exceptional cases like the current runaway inflation, some government support is indispensable. Not with price lists but with outlets for supplies of several basic foodstuffs and articles of clothing. This is nothing new; it was, we repeat, done by Juan Peron himself during his first government, with quite a bit of success to be sure.

Bolivia**Terrorists Attack U.S. Marine House, Monument**

PY1110123290 La Paz La Red Panamericana
in Spanish 1130 GMT 11 Oct 90

[Text] Last night, two terrorist attacks took place—one at the U.S. Marines residence in Miraflores District, La Paz, and another one at the monument for U.S. President John Fitzgerald Kennedy at the central train station. The first explosion, which took place at 2305 [0305 GMT] at the U.S. Marines residence, killed the residence guard Policeman Jose Miranda Rodriguez, and left Policeman German Hugo Mamani in a coma. They were attacked from a car by unidentified men who shot at the policemen and then escaped. Soon after, a bomb exploded at the U.S. Marines residence, without harming any Marines.

The second attack took place at approximately 0100 [0500 GMT] today, at the central train station. A bomb destroyed the monument to President John Fitzgerald Kennedy.

The interior, defense, and presidency ministers and the Bolivian Police commander visited the places where the attacks took place and immediately ordered an investigation. According to some reports, two people were detained as suspects; however, the Bolivian security organizations have not disclosed any information on the case.

Bolivian Government officials and police worked the entire night until well after 0500 today. It is expected that the terrorist crimes will be clarified in the next few days.

Several U.S. Embassy officials and the Marines themselves said that they had received several telephone threats, and now, with the attack that took place last night, the situation has been fully confirmed, (Robert Graham), U.S. Embassy spokesman, said.

He added that U.S. Ambassador Robert Gelbard was informed of the attack. Gelbard immediately informed the U.S. State Department in Washington. We received several threats in the past few days, and the situation has now become critical because of an attack against a residence for U.S. citizens, (Graham) said. When asked for the reason of the attack and the many threats they received, (Graham) said he did not have an explanation. The journalists who gathered around the Marines residence in Miraflores asked (Graham) if drug traffickers were responsible for the attack, to which the U.S. official said he did not know who was directly responsible for the attack. He then refused to specify the number of Marines who lived in the residence located at the crossing of Villalobos with Republica Dominicana Streets, because, he said, he could not give that information for security reasons.

Meanwhile, the Bolivian Government expressed its firmest condemnation of the terrorist attack against the U.S. Marines residence in La Paz, and added that the Bolivian police investigation will be carried out with utmost speed. This was stated by Minister of the Presidency Gustavo Fernandez. The minister arrived at the U.S. Marine residence at 0100 together with National Defense Minister Hector Ormachea to learn about the terrorist attack that caused the death of one Bolivian policeman and seriously injured another one, putting him in a coma.

The National Police said the attack will be thoroughly investigated. The attack is totally condemnable because political problems in Bolivia have never been solved in this manner.

Later, the minister of the presidency said that to begin with, the police will carry out evaluation and investigation work, and this is why, for the time being, nothing can be reported on the reasons for this totally condemnable attack.

The Bolivian police have a very clear clue about last night's terrorist attack, although the details cannot be revealed for investigation reasons, the defense minister said. He added that although there are clues for the attack that took place at 2305 last night, he could not give further information and noted that he condemns this attack, which has killed one Bolivian policeman.

The media was able to learn that the police have allegedly arrested—this was neither confirmed or denied—two suspects near the Kennedy monument, in the Bolivia Hotel where they had taken shelter when escaping. Police Commander Felipe Carvajal did not want to confirm the arrests, and he just said that he had a great deal of work to do while the investigation continues.

Marines Sustain Slight Injuries

PY1110120690 La Paz La Red Panamericana
in Spanish 1150 GMT 11 Oct 90

[Text] The latest local news indicates that six U.S. Marines were injured last night in the terrorist attack that occurred in the Miraflores neighborhood.

The official report was issued before dawn today after an investigation carried out by the U.S. Embassy in La Paz and Bolivian Government security organizations.

It seems that at the time of the attack, about 20 or 25 Marines, members of the U.S. Embassy security detachment, were lodged at the Marine residence, located on the corner of Rosendo Villalobos and Republica Dominicana streets.

The U.S. Marines reportedly sustained slight injuries, which were caused by glass splinters and a shock wave.

According to the police report, the attack was perpetrated with dynamite. The explosive device was positioned so that the shock wave would have a greater impact on the Marines' residence.

Minister Minimizes Drug Trafficking Threat

PY1010132890 La Paz La Red Panamericana
in Spanish 1130 GMT 10 Oct 90

[Text] Minister of the Presidency Gustavo Fernandez has said that the state security organizations are carrying out their normal duties regarding the president's security and that they have not adopted any measures as a consequence of the report on the possibility of an attack on the president. He added that he is not aware of the implementation of any special security measures. I think the report must be handled with skepticism, Fernandez said.

The minister said that he personally finds elements in the report that can do a lot of harm to the country, judging by the revelations made by the commander of the special forces to combat drug trafficking.

The worst thing we can do is to create the internal and external image of an immediate threat from drug traffickers to the government and Bolivian authorities. This would effectively create a climate of concern that is not necessary and does not reflect the real situation in the country, Fernandez said.

The commander of the special antinarcotics forces has charged that drug traffickers have threatened various government officials and other dignitaries.

According the minister, there is no concrete information on the presence of irregular groups, particularly paramilitary groups, that acted in the past under the name of Bridegrooms of Death [novios de la muerte]. Fernandez said that the Interior Ministry is in charge of these problems.

Minister Says U.S. Drug Aid Expected Soon

PY1010155490 La Paz La Red Panamericana
in Spanish 1130 GMT 10 Oct 90

[Text] Defense Minister Hector Ormachea has said that the U.S. aid package of equipment and donations in support of the Bolivian Armed Forces fight against drug trafficking will begin arriving in December or January.

Ormachea said bureaucratic problems in the United States are delaying the shipment. He add that the goal is to ship the materiel within the next three months.

According to the minister, the equipping of the engineers battalion is most difficult because the equipment is heavy and expensive and must be distributed to various regions of the country. The transport battalion situation is similar.

[Begin Ormachea recording] I think the equipping of these battalions will take the longest because of the

implicit difficulties; however, everything is working properly, and we do not have any problems. [end recording]

Ormachea said the Grey Plan [plan gris—garrison inspection tour] has begun satisfactorily, and he mentioned his recent visit to several military garrisons to deal with urgent institutional needs. Ormachea said the institution only had 1.5 million bolivianos for the priority needs of garrisons and that the money was carefully distributed among the different military divisions. Minister Ormachea also said that the national plan for developing the border areas provides for the permanent installation of military units in border areas.

Ormachea refused to comment on the report on possible attacks on the president and government authorities by drug traffickers. Ormachea said he read about the report in newspapers and that comments should be solicited from General Anez Rivera or the interior minister.

Decree Creates New Postal Service

PY1010151890 La Paz La Red Panamericana
in Spanish 1130 GMT 10 Oct 90

[Text] Last night the president attended a ceremony to promulgate a decree creating the National Postal Service [Empresa Nacional de Correos]. The ceremony took place at the Communications Palace.

Transport and Communications Minister Willy Vargas Vacaflo announced that beginning today the post office will have to evaluate its personnel and equipment in order to take the appropriate steps to transform the institution into a profitable concern.

Vargas said that the transformation of the postal service into a company falls within the framework of the policy to modernize the state apparatus. President Jaime Paz Zamora praised the job done by Minister Vargas, Post Office Director Mario Rosales, and the members of the legislative branch's communications commission. Paz said that the initiative will be profitable for the post office and for post office customers.

[Begin Paz recording] This is proof of a consistent policy leading to an objective. The government has neither made a demagogic decision nor responded to pressure. The government is convinced that this decision is [words indistinct]. [end recording]

Bolivia needs good communications, be they telecommunications, post offices, roads, or airlines. Otherwise, investments will not yield positive results, Paz said.

The first thing that foreign investors require is quick, sure, and efficient communications services. We have to work together toward this goal, Paz concluded.

Brazil**Engesa President Leaves for Saudi Arabia**

PY1010181190 Rio de Janeiro O GLOBO
in Portuguese 9 Oct 90 p 26

[Text] Sao Paulo—Engesa [Specialized Engineers, Inc.] President Jose Luis Whitaker Ribeiro has left for Saudi Arabia to try to close a deal to sell 280 Osorio heavy tanks. From the technical standpoint, Engesa will win the contract, which is worth \$3 billion (255 billion cruzeiros). The business deal had been suspended because of the conflict created by the Iraqi invasion of Kuwait.

Whitaker said that the sale of U.S. weapons worth \$20 billion to Saudi Arabia has not caused a suspension of bidding for the Engesa heavy tank. He added that he will try to close the deal for the sale of the Osorio, in which the company has already invested \$100 million.

In addition to the tank sale, Engesa also offers technical assistance like that offered to Iraq before it broke the agreement in compliance with the UN sanctions. Engesa had opened a large office for maintenance in Iraq.

Iraq owes Engesa about \$80 million for light tanks, ammunition, and maintenance, but the company does not know how or when it will be paid.

Negotiations with Saudi Arabia began three years ago when several of the Osorio tank tests were conducted in that country, mainly in the desert. The tank passed that technical test. The tank was to have been delivered within three years. Whitaker will return to Brazil in one week.

Mexican President Interviewed

PY1010185390 Sao Paulo VEJA in Portuguese
3 Oct 90 pp 5, 6, 7

[Interview with Mexican President Carlos Salinas de Gortari by Igor Fuser at the Los Pinos presidential residence in Mexico on 18 September]

[Excerpts] VEJA: Mexico recently achieved the best foreign debt agreement ever. Does the foreign debt issue continue to be Mexico's greatest problem?

Salinas: On the contrary. The foreign debt has ceased to be a problem for us. After signing an agreement with approximately 500 creditor banks, which for Mexico represented a saving of \$20 billion, we can assert that the foreign debt has ceased to be an issue that inhibits foreign investments or undermines modernization or economic development processes. [passage omitted]

VEJA: If you had to choose between establishing an economic bloc with the United States or with Latin American countries, which would you choose?

Salinas: It is not a question of choosing between blocs but of participating in all of them because no one can

survive by themselves. In today's world, nothing can resist the force of human talent working together. This is why we are interested in achieving a free trade agreement with the United States and why we intend to achieve something similar with Europe. We have also been accepted as a member-country of the Pacific Basin Organization. Moreover, we continue to be interested in ties with Latin America. People must not view blocs as self-excluding. The prospect of achieving a free trade agreement with the United States, which is also open to other Latin American countries and which will allow Latin American products to have access, through Mexico, to what will be the largest consumer market in the world. [passage omitted]

VEJA: Mexicans have complained for many years now that they are far from God but close to the United States. Who has changed—the Mexicans or the Americans?

Salinas: The international and domestic situation has changed. Several years ago we unilaterally decided to open our economy, and thus cut our inflation because an over-protected economy is fertile ground for artificially high prices. For many years this initiative was not reciprocated. Today there is an increasing trend to internationalize issues. Mexico has a total of 81 million inhabitants, a figure that increases by 1.7 million each year, and as such it has to offer better opportunities to its population. This can only be achieved through economic growth. To achieve economic growth today, proper ties with the international economy must be established. This must be achieved with the United States and also with the rest of the world.

VEJA: One important aspect of U.S.-Mexican ties is the antinarcotics struggle. Almost 100 Mexican policemen have died in the antinarcotics struggle, and yet Washington Mayor Marion Barry was virtually acquitted after having been caught red-handed with cocaine. What are your views on this issue?

Salinas: We are fighting narcotrafficking because we consider it to be in our best interest. Narcotrafficking is a threat to our national security and to the health of our families. This is why we decided to categorically struggle against drugs no matter what other countries decide.

[Passage omitted] [VEJA] The increase in oil prices that has resulted from the Persian Gulf conflict will result in an additional income for Mexico of at least \$2 billion this year. How do you plan to use that money?

Salinas: The situation of the oil market is still uncertain. Therefore, while the Persian Gulf conflict is not resolved we will use the extra resources to streamline public finance.

VEJA: If oil prices drop could Mexico encounter problems selling its surplus oil production?

Salinas: Before the Persian Gulf crisis occurred we had already made studies that indicated the demand for oil is going to increase during this decade. At that time we

were not aware that we had to make more investments, but we want to help establish a stable oil market with reasonable prices for producers and consumers. This is why we are willing to expand our production.

VEJA: Which is better for Mexico: bigger profits from high oil prices, even if this creates recession in the United States, or less profit with lower prices but with greater exports of Mexican products, other than oil.

Salinas: The best price for us is the one that reflects a stable market without artificial shortages or excessive supplies. If prices go up excessively there will be a recession, which will obviously affect our exports. By the same token, a very low price leads to oil being wasted or excessive and inadequate consumption. [passage omitted]

VEJA: With the changes taking place in Eastern Europe, Mexico becomes one of the last countries with a regime that was the product of a revolutionary process. Do you not also feel threatened?

Salinas: We have deep roots in a popular movement that has throughout history gone through important transformations. We are now at a different stage. We are trying to review the procedures and strategies without changing the goals. The goals are clear: To maintain the sovereignty of our country, to promote justice and equity among Mexicans, to respect freedom, and to build democracy. What has changed is the method of achieving that goal. In the past we believed that it was possible to have social justice with the greater participation of the state. Now we see that it is inconceivable for Mexico to have a state apparatus with so many assets and to have a people with so many needs. This is why we are leaving behind a state with many assets for a state with solidarity. [passage omitted]

VEJA: What are the objectives of your visit to Brazil?

Salinas: My main objective is to have direct contact with President Collor and to establish personal and political relations that will strengthen trade between Mexico and Brazil. I also want to exchange opinions on what is happening in the world and in our countries.

VEJA: Do you agree with those who say that Mexico is a model for Latin America?

Salinas: Current times do not allow models. They demand concrete actions based on clear concepts and for that it is necessary to recognize the specific situation of each country. We act in accordance with our present situation, and I would like to say that several Latin American countries are doing that with great determination and with very promising prospects.

Fuel Prices Increased; Petrobras Taking Losses

PY1010125290 *Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 10 Oct 90*

[Text] Fuel prices have increased an average 19.75 percent as of 0000 today. In Sao Paulo, Minas Gerais, Bahia, and Sergipe States, where an 18-percent ICMS tax [Goods and Services Movement Tax] is charged, gasoline now costs 58.40 cruzeiros a liter, fuel alcohol 43.90 cruzeiros a liter, diesel oil 27.70 cruzeiros a liter, and bottled gas 360.50 cruzeiros [unit not specified].

In the rest of the states where a 17-percent ICMS tax is charged, gasoline costs 57.70 cruzeiros a liter, fuel alcohol 43.40 cruzeiros a liter, diesel oil 27.40 cruzeiros a liter.

Maria Auxiliadora Jacobina Vieira, National Fuel Department director, said last night that the government will not adopt supplementary measures to balance the accountings of Petrobras [Brazilian Petroleum Corporation]. The corporation is experiencing heavy losses as a result of the oil crisis. Vieira said that Petrobras' financial recovery will be made through new and consecutive fuel price increases.

Public Servants Get 30-Percent Wage Advance

PY1010123490 *Brasilia Domestic Service in Portuguese 2200 GMT 9 Oct 90*

[Text] Public servants, whether civilian or military, will be granted a 30-percent advance payment [antecipacao salarial] to be discounted from a future salary raise. The report was released today by Economy Minister Zelia Cardoso de Mello after a meeting with President Fernando Collor at Government Palace. The minister said that this readjustment will not be paid in installments and that it will be added to the October salaries.

The economy minister added that the 30-percent advance payment will be discounted from the next labor bargaining agreement with civilian or military public servants, effective January 1991.

Administration Secretary Joao Santana, who also participated in the meeting, said that civil servants who are on strike will have the pay for the days they did not work taken out of their salaries.

Retired personnel and pensioners will also receive the 30-percent advance payment. The economy minister explained that the advance granted to public servants, retired personnel, and pensioners will increase the federal government payroll by 40.3 billion cruzeiros. She added, however, that the treasury has the money.

Alagoas To Hold Run-Off Election for Governor

PY1010171990 *Rio de Janeiro Rede Globo Television in Portuguese 1600 GMT 10 Oct 90*

[Excerpt] Geraldo Bulhoes and Renan Calheiros will hold a run-off election for the post of governor of

Alagoas State. With 99.4 percent of the votes counted, Bulhoes has received 49.2 percent of the valid votes and Renan Calheiros 44.9 percent. There are still 24 ballot boxes to be counted, but even if all the votes of these boxes go to Bulhoes he will still not obtain the 50-percent-plus-one needed to win. [passage omitted]

Correction to Hostages Arrive

PY0610003690

The following correction pertains to the item headlined "Hostages Arrive; Relations Said 'Eroded'," published in the 5 October Latin America DAILY REPORT, page 13:

Column one, paragraph six, sentence two make read: Twenty-one HOP [the Hugo de Oliveira Piva company] employees... [correcting company name]

* Program Recommended To Continue Under Military

91WP0008A Sao Paulo ISTOE SENHOR in Portuguese 19 Sep 90 pp 38-44

[Article: "Armed Atoms," by Altamir Tojal and Carlos Jose Marques]

[Text] The manner in which President Fernando Collor responded to questions asked about the Brazilian Nuclear Program by the Canadian newspaper THE GLOBE AND MAIL and the German DIE WELT was disconcerting: "Nuclear energy for what? To build an atomic bomb? Why an atomic bomb?" The president's retort, posed in the form of questions, rekindled concerns that have been surfacing ever since the military began its tutelage of nuclear energy activities—controlling even the key installations, such as the Aramar plant in Ipero, in the interior of Sao Paulo State, where they secretly mastered the fuel cycle. This is because there exists the suspicion that, hidden under all this effort to master nuclear technology, lies a desire on the part of the Armed Forces to make Brazil capable of building atomic bombs.

There is no shortage of reasons why this subject could give the president some sleepless nights. Certainly the most immediate is a document delivered to him at the end of June by Secretary of Strategic Affairs (SAE) Pedro Paulo Leoni Ramos—the report prepared by the working group set up by the SAE to review the nuclear program. Recommendations by the group, known as GT-Pronen, not only preserved but expanded the militarization of nuclear energy activities, thus fueling the apprehension that the bomb is still part of Brazil's plans. The report proposes that no fewer than six reactors be built under the direct control of the Armed Forces—three by the Navy, two by the Air Force, and one by the Army.

Autonomy Wears a Uniform

Investments in nuclear projects under military control alone would amount to \$2 billion. Technical supervision

would still be the responsibility of the National Commission for Nuclear Energy (CNEN), an agency now subordinate to the SAE itself, which in the new administration has taken over the functions of the now-extinct National Service for Intelligence (SNI). Hence this situation in which the military—in control of the key installations—enjoys enormous autonomy in carrying out its projects, while we persist in putting our faith in the dubious effectiveness of letting the government attempt to supervise itself, with the CNEN assigned to inspect facilities that are administered by the military ministries.

The umbrella of military autonomy, by the way, served to shelter not only the nuclear program but one of the most formidable business deals in the area of war materiel, one that has now surfaced: the commercial transactions with Iraq, for whom Brazil became one of the leading arms suppliers. Among the equipment sold were more than 3,000 Urutu tanks, 80 Tucano aircraft, and 500 Cascavel armored vehicles—part of the arsenal, composed of contributions from several countries, that threatens the world today. Military control of the Brazilian nuclear program and the sale of war materiel are two sides of the same coin and set up the equation that suggests the following question: If Brazil had already been a member of the exclusive nuclear club at the time of these transactions, would Saddam Husayn now have the bomb?

If it depended on men like retired Brigadier General Hugo de Oliveira Piva, perhaps he would. The general has been the center of media attention in recent weeks because he took a group of Brazilian scientists who used to work for the Aerospace Technology Center (CTA) to Baghdad to work on what is said to be a "secret Iraqi project" connected with missile technology—in an arrangement made outside the purview of the government, and condemned by Itamaraty. Piva is the visible side of sectors of the Armed Forces that are committed to a military orientation of the nuclear program. In 1983, as director of the CTA, he once predicted: "Brazil is in fact capable of making an atomic bomb, and production requires only a political decision."

In an interview with ISTOE SENHOR, Admiral Maximiano da Fonseca, one of the pioneers of the so-called "Parallel Program" when he held the post of Minister of the Navy in the Figueiredo administration, said: "The problem with making the bomb is getting the raw materials, and we already have the enriched uranium." Three years ago, the admiral also admitted publicly that Brazil was close to realizing one of his greatest dreams: "To call in representatives of the military powers, explode a nuclear device to show what can be done, and then announce that Brazil will not make any more of them because it has better things to do with its money."

Stocks of Uranium

Officially, military authorities vehemently deny pursuing such an objective. "The idea is absurd, and devoid of any rational basis," was the reaction from current

Navy Minister Mario Cesar Flores, when asked by ISTOE SENHOR about concerns that Brazil is moving in the direction of nuclear devices. Although they may deny it, the military cannot refute the evidence that, within the borders of their nuclear facilities, they have reached such a stage of technological development that, depending on political decisions and funding, they possess all the conditions for making the bomb.

"While people debate whether or not Brazil has the bomb, whether or not it is building it, the Armed Forces have since 1979 traveled, one step at a time, the entire road required to be able to do it," warns physicist Luiz Pinguelli Rosa, a tireless critic of nuclear activities. To prove there is a basis for this concern, Pinguelli coordinated a study made by the Brazilian Physics Society (SBF) that demonstrates how, with the resources already available, the Brazilian military could detonate a device similar in power to the Hiroshima bomb. It would take them only a little more than a month, and cost a little more than \$2 million, provided they had on hand 18 kg of 94 percent enriched uranium. To achieve this, they need only to spend six days processing, at existing Aramar Experimental Center facilities, 118 kg of the 20 percent enriched uranium that the government officially admits it uses in its work there.

Rear Admiral Othon Luiz Pinheiro da Silva, director of the Special Projects Coordinating Board (Copesp), the Navy agency that controls Aramar, revealed that the current inventory of 20 percent enriched uranium is "four elements," which means four kg. Also in stock are 175 kg of five percent uranium. "Starting in June of next year, we will begin to produce 20 percent enriched uranium at a rate of three elements a month," announced the director of Copesp, recalling that this had been the goal set for January 1990, but meeting it "was delayed by budget cuts."

Rear Admiral Pinheiro da Silva was the man mainly responsible for the "Parallel Program," which led to the mastery of the complete nuclear fuel cycle, with enrichment of the uranium via the ultracentrifuge process, as well as to the development of reactor technology. Despite insistent denunciations by the scientific community, the existence of such an effort was emphatically denied, although it involved hundreds of technicians and scientists and had the participation of more than 100 private manufacturers. One of the most mysterious aspects, still unanswered, is how the enriched uranium was obtained to run the so-called "critical unit" at the Institute for Nuclear and Energy Research (IPEN), in 1984.

That critical unit, a small experimental reactor, uses 20 percent enriched uranium which Brazil could not have possessed at that time. "Where did the uranium for the critical unit come from?" asks Professor Pinguelli. He offers his own theory: that the answer may be tied in with another mystery, the clandestine shipments of yellow cake (uranium concentrate) to Iraq, discovered by the press in 1982. "It is not completely impossible that Brazil received enriched uranium in exchange for those

shipments," the professor says. Obviously that material would not have come directly from Iraq, which was also pursuing the enrichment technology. But another country could have been involved, in a triangular operation: "Perhaps China," Pinguelli suggests.

The "Holes" At Cachimbo

It was secrecy and military control—adopted with the justification that international pressures would prevent pursuing the research that was being done—which also made possible the drilling, at the Cachimbo Air Base in southern Para State, of wells 320 meters deep and more than one meter in diameter. These wells are practically identical to the ones used in the United States for testing low-power atomic bombs. Nothing was known about those facilities until one of the technicians from the company contracted to do the work disclosed their existence. Even today, military men deny that the holes were intended for nuclear testing, but they have never succeeded in giving a convincing explanation for them, and they remain under the control of the Armed Forces General Staff (EMFA). Questioned about the "holes" at Cachimbo, the president of the National Commission for Nuclear Energy, Jose Luiz de Santana, tried to refer the question to the past by recommending: "You should ask the officials who were in charge at the time." And he recalled a quip attributed to Rear Admiral Pinheiro da Silva: "I can only assure you the hole is a virgin."

The preparation of those wells would turn out to be the most time-consuming phase in any attempt to conduct nuclear testing, according to the SBF study. Virgin or not, they are ready and waiting for someone to decide to use them. And this seems to have been the military reasoning for more than 10 years, passively accepted by all Brazilian governments so far: to finish all the stages that permit the bomb to be built and tested in record time once the decision has been made to do so. The enriched uranium may even already be available. The country has the technical, scientific, and industrial ability to build the device.

According to the SBF study, it would require no more than six scientists and technicians to make a "low-efficiency nuclear explosive," that is, a device that is not operational from a military standpoint, but would demonstrate Brazil's capability. Lastly, the wells for the testing are already in place. "It is as if we already had everything we needed to assemble a car—wheels, chassis, engine, body—so that all we need to do is put the parts together," Professor Pinguelli points out.

It is in this context that the report by the SAE working group heightens concerns about the militarization of the program. The proposal to reorganize the sector changes almost nothing about the current situation in which the bulk of the nuclear facilities are in military hands. The group's only proposal for opening up the program to the public eye is a suggestion that the Commission's [CNEN's] executive board be expanded. It "would be

chaired by the Secretary of Strategic Affairs, and its members would be appointed by the president of Brazil."

As regards the increased military role, the document not only advises against privatizing Nuclep [NUCLEBRAS Heavy Equipment, Inc.], the nuclear equipment factory set up under a joint venture with the Germans, but recommends that Naval Projects Management Company (Engepron), affiliated with the Ministry of the Navy, have a financial interest in the firm. It also approves the invitation extended by the CNEN to the Army Technological Center (CTEx) to take part in developing the gas-cooled nuclear reactor technology, "a project that has been following the criteria of expansion of domestic technology in the nuclear area." Furthermore, the report considers it "desirable for the country to continue the advanced research...aimed at the construction of fast uranium-plutonium reactors," under the auspices of the Ministry of Aeronautics.

The original justification for the Navy's reactor projects was development of the propulsion system for nuclear submarines, a question on which the government has not made a decision, and on which there has been little debate in Brazil. The aeronautics ministry's plans, the responsibility for which lies with the Institute for Advanced Studies (IEAv), headed by Air Force Colonel Reginaldo Santos, are even more intriguing. They include, for example, use of nuclear generators on satellites at a time when the world's space powers have already abandoned this source of energy because of the risk that if a satellite fell to earth and crashed, it could spread radiation. The Air Force reactors would use plutonium as a fuel, the same material used in the production of a bomb. To complete the picture, there is the Army's plan to build a gas-cooled graphite-moderated reactor, but there are no arguments to justify such a project being kept in military hands.

CNEN president Jose Luiz de Santana is extremely reticent about the Army's reactor. "It is still in the conceptual phase," he says, downplaying its importance. But the SAE working group's document reveals that \$49 million has already been spent on its development by the Institute for Special Projects (IPE), part of CTEx, which is subordinate to that branch of service's Secretary of Science and Technology, General Romero Lemesqueur. That is a lot of money to spend just on concepts. Actually, work is supposed to be finished on the reactor by 1994, and a subcritical unit has already been built for the initial experiments. Completion will require spending an additional \$72 million.

Dividing the Spoils

So, President Collor is faced with the military's longing to hold onto the reins of the program, and he has an important and delicate decision to make: whether to preserve or abolish the military autonomy, by approving or rejecting the GT-Pronen report on his desk. As early

as the beginning of March, before the new administration took office, Navy Minister Flores, Minister Carlos Tinoco of the Army, and Socrates Monteiro of Aeronautics, were already meeting to launch a tug of war for the spoils of the CNEN—which includes major research bodies in the nuclear field, among them the Institute for Nuclear and Energy Research (IPEN). A meeting held not long before, in Sao Paulo late in the week before Carnival, brought one of Zelia Cardoso de Mello's closest advisors and Rear Admiral Pinheiro da Silva face to face. The admiral put forth two points that were later ratified in a meeting of the military ministers: he urged immediate abolition of INB (Nuclear Industries of Brazil), and dismemberment of the CNEN.

According to the plans which the rear admiral outlined during the discussion, the INB (successor to Nuclebras under the Brazil-Germany agreement) would be deactivated. As for the CNEN, the Navy sought to skim off the "cream" of that commission: IPEN. Taking advantage of the precedent set by the Navy, General Tinoco instructed his subordinates to fight for the Belo Horizonte-based Nuclear Technology Development Center (CDTN), also part of the CNEN. It was to adopt a common approach in the defense of their interests that all three of Collor's future military ministers held a meeting at the Brasilia Air Base, at which they confirmed their desire to strengthen the nuclear part of their portfolios. They are still waiting for an answer.

On Tuesday, 4 September, there was word of a new action by Minister Flores. A document sent from his ministry to the Attorney General of Brazil has aroused suspicions in the Department of the Environment of Rio Grande do Sul that the Navy is planning to use that southern state's ports to bring in nuclear material imported from Argentina. The ministry sent a request to have a suit brought in the Federal Supreme Court to declare unconstitutional the articles of the Constitution of Rio Grande do Sul that prohibit the installation of nuclear energy production units and the transportation and storage of nuclear wastes in that state. In the suit, the Navy alleges that the southern state's Constitution "would conflict with the interests" of that branch of service in the atomic energy field.

The issue of control over nuclear activities is an old one, dating back to the decision by the Brazilian Government not to sign the international Nuclear Nonproliferation Treaty, the NPT, a decision that was ratified on 12 September in tandem with the Argentine Government. Brazil condemned the asymmetry of the treaty, which prohibits countries that do not have nuclear weapons from obtaining them, but allows nuclear powers to continue arming themselves. So, none of the facilities created under the Parallel Program, which acquired official status in 1987, are subject to international safeguards. Internally, there is only CNEN technical supervision.

A good part of the scientific community, at least, considers this system inadequate, since it leaves the program

too vulnerable to accidents, sabotage, terrorist acts, and diversion of methods and materials to other countries—besides the weaponry-happy experiments not authorized by the Constitution. In this regard, the SBF report suggests that a technical standing committee be set up, one that would be subordinate to the National Congress and have unrestricted access to all nuclear facilities in Brazil. It would be charged with inventorying and monitoring the production and allocation of all radioactive material. That would keep the sum of the evidence from giving rise to the kind of concerns that military officials call speculation. These have arisen, it is said, ever since the Armed Forces started work on the alternative project to the nuclear agreement signed with Germany in 1975.

Everything seems to indicate that one certainty pervaded atmosphere surrounding the development of the Parallel Nuclear Program: that building the bomb could, at a given moment, become a conscious goal, even if that were not the intention. "This country really can build the bomb, but we are not thinking about doing that," claims Rear Admiral Pinheiro da Silva, of Copesp. The fact is that the Navy is in the midst of a major expansion of its Aramar Experimental Center, located 120 km from the capital of Sao Paulo State. That center is the main headquarters of the Parallel Nuclear Program, created 11 years ago and which two years ago succeeded in enriching uranium to 20 percent. With three percent enriched uranium, you can undertake to run nuclear power plants like Angra I. With 20 percent enrichment, you can operate research reactors and nuclear submarines. At more than 90 percent, you can set off an atomic bomb.

The Nuclear Club

Moving from 20 percent to 90 percent is a matter of processing the uranium in the so-called ultracentrifuge machines for a longer time. The big question is the number of ultracentrifuges available. Aramar has 900 so far, and there are 16 more in the IPEN laboratories. The SBF estimates at 3,000 the total number of units needed to accumulate enough 20 percent uranium to make a bomb. The goal at Aramar, Rear Admiral Pinheiro da Silva admits, is to equip the facility with 6,000 to 10,000 ultracentrifuges. The technology for this already exists. It is all a matter of investment—and political commitment.

The pilot enrichment plant at Aramar occupies an area of 3,000 sq m, with gas washer tanks connected to the structure. In the past two years, ground has been broken for three big buildings, still under construction on a plateau of nearly 24,000 sq m, to house the remaining ultracentrifuges. The heart of the system is a control room where, via four panels of "programmable logical data," the information on the enrichment process is monitored and gathered—data on everything from the purification in cascades, to injection and removal of the uranium hexafluoride, the gas the results from the yellow cake. Aramar is moving full steam ahead and without

interruption toward its main objective, which is to produce fuel on a scale that can feed the reactor of a nuclear submarine.

This is where another one of the components related to the bomb comes into play. Although the Brazilian Navy points out that the nuclear side of its project will be limited to the propulsion for the vessel, it is a fact that the four countries that have nuclear submarines (the U.S. with a fleet of 231, the USSR with 222, England with 27, and France with 20) have used them to transport bombs. The exception is India, which received its only submarine of this type from the Soviets. Rear Admiral Pinheiro da Silva says the difference is that those countries first developed the bomb, and then obtained the submarine almost as a by-product. According to the calculations in the SBF study, the submarine project is supposed to cost about \$2 billion. Copesp disputes the value ascribed to the submarine: the board insists that it can be built with an investment of \$359 million.

Simultaneously with this Navy project, the Air Force is conducting a project to produce a satellite launch vehicle, known by the acronym VLS. The fact that a space program of this nature and another program in the nuclear field are being tackled at the same time raised the suspicion, in other parts of the world, that Brazil yearns to prepare itself to have missiles equipped with nuclear warheads. It is certainly true that this mistrust has also served as an argument in favor of the blockade erected by the big powers against technological efforts by Third World countries in those fields. Among the victims of that blockade, Brazil is no exception. On the contrary, it is the nation being watched most closely, since it has the best chances of success.

Deal With China

Despite that, Brazil has been conquering one phase after another in the VLS project. A crucial phase was reached with the development of the Sonda 4 rocket. In another move to circumvent resistances, a counterpart treaty with China was signed four years ago, bringing Brazil closer to the satellite launcher and, therefore, to a possible nuclear missile. One of the main items in the bilateral agreement calls for Brazil to pass on to the Chinese all its know-how in the area of solid fuels. In exchange, it will receive the rocket guidance system. The array of technological barriers erected by the big powers served as an argument for the military not only to gain control of those programs, but to adopt a system to throw the public off the track.

The calculated deception included secret budgets and the use of covert funding in the Parallel Nuclear Program, like the Delta 3 and Delta 4 accounts that came to light when the press denounced them in 1986. It also gave rise to a whole range of speculations as to whether state and private corporations were being used to import products that are subject to international safeguards. One of those rumors involved Petrobras and the Verolme shipyard,

which were said to have served as middlemen in the purchases. It was because they had misgivings that it would be used for military purposes that the U.S. Government resisted selling Petrobras the IBM 3090 supercomputer with vector facility. It was only after lengthy negotiations that the equipment was eventually installed.

At the time, then-president of CNEN Rex Nazareth told SENHOR, in a statement that appeared in that magazine's issue of 26 May 1987, that once in possession of such a computer, "the pace of Brazilian nuclear research would be dramatically accelerated." More recently, the Americans once again demanded guarantees on the sale of another supercomputer, this time to Embraer. The fear, as Gary Milholin, director of the Wisconsin nuclear weapons control project put it in an article that appeared in THE NEW YORK TIMES last month, is that the equipment might be used by the CTA to help Iraq get the atomic bomb.

As long as the military continues to hold control over Brazilian nuclear activities, it is inevitable that there will be such concerns, and that the big powers will use the argument to justify their technological blockade of Brazil. Likewise, questions—such as those President Collor himself put to foreign journalists—will continue to be raised internally.

[Box p 40]

Helpful Hints

The working group's document did not answer Collor's questions; instead it puts some difficult decisions in his lap: "Nevertheless, the Group believes it is desirable for the country to continue the advanced research in the area—if possible, by obtaining international cooperation. Efforts would be concentrated on the conceptual study and acquisition of technological capability in the thermohydraulics of sodium, in materials, fuel elements, and the measurement of nuclear parameters, with a view to building fast uranium-plutonium and uranium-thorium reactors. This effort would include provision for construction of a 20-megawatt experimental fast reactor early in the second decade of the next century."

[Box p 41]

Guardians of the Button—These Men Can Decide When To Push It

These three military officers now command Brazil's principal nuclear facilities and projects:

- Rear Admiral Othon Luiz Pinheiro da Silva. He conceived and was primarily responsible for implementing the Parallel Program. He is the director of the Special Projects Coordinating Board (Copesp), which controls all the facilities at the Aramar Experimental Complex in Ipero, Sao Paulo, including the uranium ultracentrifuge enrichment plant and the project to build the prototype reactor for the nuclear submarine. Copesp also controls those facilities at the

Institute for Nuclear and Energy Research (Ipen) in Sao Paulo that are not subject to international safeguards.

- Air Force Colonel Reginaldo Santos. He heads the Institute for Advanced Studies (IEAv), an agency in the Ministry of Aeronautics that is connected with the Aerospace Technology Center (CTA) in Sao Jose dos Campos, Sao Paulo. The IEAv is one of Brazil's pioneer institutions in nuclear research, and is responsible for the project on the laser method of uranium enrichment. It is also developing two small reactors, one for satellites and another for telecommunications repeater stations.
- General Romero Lemes. As the Army's secretary of science and technology, his command includes the Army Technological Center (CTEx), at whose Rio de Janeiro facilities a gas-graphite reactor is being built, using metallic natural uranium. Some \$49 million have already been invested in the conceptual design, basic plans, and a subcritical unit (for preliminary testing). This kind of reactor produces a high volume of plutonium.

[Box p 44]

Progress in the Shadows—Technology Came With the Parallel Program

"It was Brazil's greatest technological victory ever," says Admiral Maximiano da Fonseca, still enthusiastic when he talks about the Parallel Nuclear Program that led to the mastery of the technology for enriching uranium by the ultracentrifuge process, and proud of having backed this technical coup. Da Fonseca was the Navy's director general of materiel in 1978, when then-Commander Othon Luiz Pinheiro da Silva returned from taking a course on nuclear energy in the United States, convinced that Brazil should make an independent technological effort in that area, despite having signed an ambitious program of cooperation with Germany three years earlier.

With the backing of Da Fonseca, who would later assume the post of Minister of the Navy in the Figueiredo government, and authorized by the Navy General Staff, Commander Pinheiro da Silva went on to head the secret program that had as its priority goal the mastery of the nuclear fuel cycle. The military justification for the effort was this plan to build the nuclear submarine, and the social legitimacy was said to lie in the benefits that it would extend to other sectors, such as energy production and other applications of nuclear technology.

Little by little, Pinheiro da Silva, now a rear admiral, built up the organization that made a reality of the parallel program. As early as 1979, he won the collaboration of the aeronautics ministry's Aerospace Technology Center. Right afterward, he obtained the unofficial cooperation of experts from the Institute for Nuclear and Energy Research (IPEN), the country's most important such institute, later to become the civilian arm of the program. The support of the National Commission

for Nuclear Energy (CNEN) would also come gradually—first via the collaboration of then-director Rex Nazareth Alves who became the head of that organization in 1982 and took on all the administrative support of the Parallel Program, including the operation of the "Delta 3" and "Delta 4" secret accounts, from which came the bulk of the funds invested in the program until last year—about \$130 million on the uranium enrichment project and \$140 million on developing the prototype of the reactor for the submarine.

Despite being reported on innumerable occasions by the scientific community and in the press, the existence of the Parallel Program was always denied by the military. Its key stages were the first experiment with uranium enrichment in 1982, and the functioning of the first mini-cascade of centrifuges in 1984. It was not until 1987 that the program was officially announced. And, in April 1988, the Aramar Experimental Center in Ipero, Sao Paulo was inaugurated to house the main facilities of the program, which today is still under the direct control of the Navy.

Chile

Government To Comply With Sanctions on Iraq

PY1010115390 Santiago Domestic Service
in Spanish 1000 GMT 10 Oct 90

[Text] The Foreign Ministry has issued a resolution stating that the Chilean Government will fully comply with the UN Security Council sanctions on Iraq, after the invasion and annexation of Kuwait.

The resolution was published in the official gazette. It says that Chilean traditional policy is based on irrevocable respect for the international treaty. Among other things, the resolution states that the government has banned not only the import of all products from Iraq and Kuwait but also the export of Chilean goods, including weapons and military equipment, and commercial exchange with those countries.

Invitation To Join Rio Group Highlighted

PY1010214890 Santiago EL MERCURIO in Spanish
30 Sep 90 p C-3

[Report by Mario Valle from New York]

[Text] The incorporation of Chile into the Rio Group, formerly the Group of Eight, became official yesterday when Venezuelan President Carlos Andres Perez invited President Patricio Aylwin to join. In a letter to President Aylwin, the Venezuelan president points out that the presidents of the other member countries had asked him to invite Chile to join the Permanent Mechanism for Consultation and Political Agreement (Rio Group) and to attend the fourth meeting of presidents to be held in Caracas from 11 to 12 October.

In his response, Aylwin expressed his thanks to the other Rio Group member-countries for the invitation, "which signifies that our democratic regime has been fully incorporated into the new forms of political cooperation in our region." He also informed Perez that he will attend the Caracas meeting. The Rio Group is currently made up of Venezuela, Colombia, Brazil, Argentina, Mexico, Uruguay, and Peru, with Panama being suspended. Along with Chile, Ecuador will also become a member of the group at the Caracas meeting.

Army Confirms Pinochet Visit to Argentina

PY1110000190 Santiago Domestic Service
in Spanish 2300 GMT 10 Oct 90

[Text] The Army has reported that General Augusto Pinochet Ugarte, the Army commander in chief, is in Argentina on a private visit.

According to Argentine newspapers, Gen. Pinochet was spotted in Mendoza, where he stayed at the Aconcagua Hotel last night.

Colonel Cesar Dray, chief of the Army Communications Department, has released an official communique:

[Begin Dray recording] In response to questions asked by the communication media regarding a trip by the commander in chief of the Army to the Argentine Republic, the Communications Department of the institution reports that:

1. Captain General Augusto Pinochet Ugarte, commander in chief of the Army, is on a short private trip in Argentina.
2. The activities being carried out by the highest institutional authority are strictly personal.
3. The appropriate authorities have been informed of this trip in compliance with the procedures established in current legislation. [end recording]

Col. Dray did not mention when Gen. Pinochet will return to the country but said that his visit will end before this coming weekend.

The Defense Ministry also confirmed the trip by the commander in chief of the Army to Argentina in a short communique. War Under Secretary Marcos Sanchez said that Gen. Pinochet left the country after informing the president of the Republic through Defense Minister Patricio Rojas. The Communications and Culture Secretariat had previously confirmed this trip.

Magazine Director Juan Pablo Cardenas Released

PY1010130090 Santiago Radio Cooperativa Network
in Spanish 2200 GMT 9 Oct 90

[Report by Claudio Mendoza]

[Text] After 1900 tonight, journalist Juan Pablo Cardenas finally regained his liberty. Cardenas had been

held at the Capuchinos jail annex for 13 days on orders of the judge of the First Military Court and then of the judge of the Sixth Military Court. ANALISIS Director Cardenas pointed out that the situation was abusive because the country is now living in democracy.

[Begin Cardenas recording] It was an entirely abusive situation because the political situation in our country has changed, and most Chilean citizens have chosen to live in democracy and enjoy civil liberties. Therefore, it is incomprehensible that journalists should be tried by military courts. Democracy should also have prevailed in this case.

Nowhere in the world do military courts try the acts of the press as has occurred so often to the journalists during the dictatorship [words indistinct]. [end recording]

The First Military Court sentenced Cardenas after finding him guilty of offending the Armed Forces, thus violating Article 284 of the Military Code of Justice.

After he was already in jail, Cardenas was also found guilty by Judge Raul Rosa of the Sixth Military Court.

At noon today, the First Military Court revoked both sentences for lack of evidence. As Juan Pablo Cardenas' defense lawyer (Nelson Calcota) said, the court ruling was very important because this was the first time the military court did not hold the magazine director responsible for an alleged offense contained in a reader's letter.

EL SIGLO Director Juan Andres Lagos, who is answering five charges, and APSI journalist (Alfonso Stiffen) are still being held at the Capuchinos jail.

Arrested Lautaro Members Confess to Murder

PY1010134590 Santiago Domestic Service
in Spanish 2200 GMT 9 Oct 90

[Excerpts] Carabineros arrested two subversives involved in the murders of three Carabineros and 11 attacks on different stores in the metropolitan area.

Those arrested belong to the so-called Lautaro Rebel and Popular Forces. They were identified as (Abraham Enrique Larrea Zamorano), unemployed, and (Catalina de Lurdes Avila Lazo), 26 years old and also unemployed. (Avila Lazo) belongs to the Lautaro Youth Movement. The two subversives were involved in the murders of Carabineros Jaime Parra Aguayo and Corporal Ramon Salas Sanhueza of the Sixth Carabineros Precinct in Recoleta district. They were also involved in the attack on the (Michael) store on San Diego Street where Corporal (Carlos Lamorza Arce) was killed.

(Larrea Zamorano) also participated in the murder of Carabinero Samuel Lopez Contreras on 12 April 1988. A high Carabineros officer said that the arrestees have confessed to murdering the Carabineros and to participating in several attacks. [passage omitted]

(Larrea Zamorano) admitted that he received a monthly salary of 73,000 pesos from the MAPU [United Popular Action Movement]. (Avila Lazo) admitted that she was recruited for the Lautaro Youth Movement by (Julio Jacinto Eyzaguirre Reyes), a terrorist who was killed in a clash on 23 August 1990.

Lautaro Group Blast Protests Monarchs' Visit

PY1010121790 Santiago Domestic Service
in Spanish 2200 GMT 9 Oct 90

[Text] The explosion of a bomb planted at the foot of a monument in downtown Temuco has caused 300,000 pesos in damage. The Lautaro Movement claimed responsibility for this bomb explosion, which destroyed the monument to the Spanish liberator, one of group of five in Temuco worth an estimated 28 million pesos.

In an anonymous call to a local radio station, the Lautaro group announced a number of other similar actions against buildings in the Spanish community to protest the forthcoming visit of the Spanish king and queen to Chile.

A special Carabineros unit has begun an investigation to find those responsible for the explosion, while the Carabineros guard in some buildings has been reinforced.

Soviet Delegation Seeks To Promote Business Ties

PY1010220090 Santiago EL MERCURIO in Spanish
2 Oct 90 p C-10

[Report by Hernan Cisternas Arellano]

[Text] Valparaiso—A Soviet delegation headed by Vladimir Kalamonov, chairman of the Global Research Institute of Moscow [name and title as published], has come to Chile as part of the institution's goal of promoting business relations with Western countries. On 1 October Kalamonov expressed an interest in creating joint enterprises with the participation of Soviet and Chilean resources. He said that there is a campaign to contact several countries and that there is great interest in Chilean enterprises. He added that "the Soviet ships and people who will come here will be important for Chile's plans." Kalamonov noted that the Soviet Union has lacked true information on Chile for 70 years, saying: "We had no information about Chile. We need to make contacts that will allow us to jointly perform business tasks." He reported that one of the objectives of his visit to Chile was to learn about legal aspects and the socio-political situation in the country. On 1 October, members of the delegation visited the port of Valparaiso and on 7 October the port of San Antonio. They also contacted private investors interested in port and fishing companies.

Police Detonate Bomb at UDI Headquarters

PY1010142890 Santiago Domestic Service
in Spanish 2200 GMT 9 Oct 90

[Text] Carabineros detonated a 200-gram explosive device left in the garden of the Democratic Independent Union headquarters, UDI, at 286 Suecia Street, Providencia District.

According to UDI officials, early in the morning the guard found a plastic tube containing several dynamite sticks connected to a clock system. He called the Carabineros, who sent special personnel to check out the party's headquarters and the explosive device. The police experts were not able to deactivate the bomb because it was not built according to the traditional standards for this type of bomb; therefore, after taking every precaution, they set it off.

UDI President Julio Dittborn categorically rejected the attack on his party's headquarters. He added that such actions will not frighten the party leaders who will continue to struggle to defend the UDI principles and ideology. He said that this is not the first time that such an attack has been carried out against the party's headquarters. He added that other party branches in Santiago have suffered similar actions.

He indicated that, despite the comments by Investigative Police Director Horacio Toro, it cannot be denied that violence has increased in the last few months in the country. It should be recalled that on 7 October another terrorist attack on the UDI headquarters in El Bosque District caused property damage.

Colombia

Some Articles of Assembly Decree Ruled Invalid

PA1010175590 Bogota Radio Cadena Nacional
in Spanish 1230 GMT 10 Oct 90

[Text] Bogota—The Supreme Court of Justice has declared Decree No. 1926 constitutional, the decree by which the government called for a constituent assembly to amend the country's Constitution; however, it has ruled invalid several of its articles, especially the political agreement on the agenda of the Constituent Assembly.

Supreme Court President Jorge Carreno Luengas, in explaining the important ruling of the court, said that the government decree calling on the people to exercise their sovereign power to freely decide what amendments should be introduced to the Constitution is constitutional. Nevertheless, he warned that the second article, by which an agenda is imposed on the people, is invalid.

The article is invalid because a meeting of people constitutes a primary constituent group and their actions cannot be limited. A constituent assembly is a political force that has juridical effects within a democratic system and their actions cannot be limited, the court president explained.

The people cannot be subjected to an agenda previously chosen by individuals who are not part of or a majority of the people's will, Carreno Luengas insisted.

As for the statements previously made by the nation's attorney general, the court president said that the institution could not declare itself out of the matter. He admitted, however, that the attorney general was right in pointing out that certain points of the political agreement were in violation of the Constitution.

Carreno Luengas also confirmed that the court ruling declared unconstitutional another article of Decree 1926, which demands a security deposit of 5 million pesos from people wishing to register as candidates for the Constituent Assembly. He said that this provision restricted the right to elect and be elected.

Gaviria Pleased With Decree

PA1010180090 Bogota Radio Cadena Nacional
in Spanish 1230 GMT 10 Oct 90

[Telephone interview with President Cesar Gaviria Trujillo by unidentified reporter in Bogota—live]

[Text] [Reporter] Good morning, Mr. President.

[Gaviria] Good morning.

[Reporter] Mr. President, what is the government's reaction, what is your opinion, your position, your thoughts on the Supreme Court of Justice's ruling on the Constituent Assembly?

[Gaviria] I am happy; I am supremely pleased by the Supreme Court of Justice's ruling. One of the reasons I feel this way is that, with its ruling, the court eliminated many of the restrictions on the assembly established out of the fear that the court—in the face of a constituent assembly with unlimited power—would declare all previous actions invalid; however, this Supreme Court of Justice ruling has allowed the Constituent Assembly that we Colombians wanted, and that to a great extent (?reflects) the spirit displayed in March and on 27 May. This is why the government is profoundly pleased with the court ruling. It hopes to lead this process to ensure that the Colombian people will in fact have new political institutions and also be able to achieve reconciliation among themselves and attain many of their aspirations.

[Reporter] Mr. President, will there be a more in-depth statement on this issue on your part today?

[Gaviria] Yes, in my meeting with the labor federations I will make an official statement on this issue.

[Reporter] That meeting will be held at 1100?

[Gaviria] That is correct.

[Reporter] We will wait until 1100 to hear your in-depth statement, Mr. President.

[Gaviria] Thank you.

Stranded Venezuelan Pilot, Passengers Found*PA1110020090 Paris AFP in Spanish 0339 GMT
9 Oct 90*

[Text] Bogota, 8 Oct (AFP)—Four Venezuelans who were traveling in a plane hijacked in Venezuelan territory by alleged Colombian guerrillas were found on 8 October in eastern Colombia, police spokesmen have reported.

Three alleged members of the Army of National Liberation (ELN) forced the Cessna YV244-C to land near San Jose de Ocune, about 600 km from Bogota. After abandoning the pilot and three passengers there, they took off for an unknown destination.

The four Venezuelans are the pilot Jose Cequias, Gilberto Alonso Alayon, Pablo Bochica Gaitan, and Daisy Yamile Avenana who were flying from San Fernando de Atabapo to Puerto Ayacucho (Venezuela) when the rebels hijacked the plane.

The Venezuelans will be sent home in a few hours, the sources added.

Police sources have said that they are waiting for confirmation of the landing of another Venezuelan plane, the YV252-C, near Barranco de Minas in Guainia Province, also in the eastern part of Colombia. This is where extremists reportedly abandoned five passengers and then continued on to an unknown destination.

Paraguay**Foreign Ministry Officials To Discuss Policy***PY1110010690 Asuncion NOTICIAS in Spanish
10 Oct 90 p 12*

[Text] The creation of an office within the Foreign Ministry to promote traditional and nontraditional exports, to secure financing and the transfer of technology, and to attract foreign capital will be discussed at a meeting at the Foreign Ministry today.

Foreign Minister Alexis Frutos Vaesken has invited Paraguayan Ambassador to Argentina Carlos Maria Ocampos Arbo, Ambassador to Brazil Juan Andres Aguirre, Ambassador to Chile Horacio Nogues Zubizarreta, and Ambassador to Uruguay Benito Pereira Saguier to attend this meeting, the first of this nature to ever be held at the Foreign Ministry. Other officials that will be present are: Foreign Ministry Under Secretary Bernardino Hugo Saguier Caballero; General Affairs Under Secretary Oscar Cabello Sarubbi; Efraim Dario Centurion, international economic relations under secretary; Foreign Ministry Director General Manuel Maria Caceres Cardozo; and others.

Despite the secrecy surrounding this meeting, it can be said that it will be in line with Foreign Minister Frutos Vaesken's wish that "together we make the Foreign

Ministry into an agency that will truly serve the country." The status of "negotiations" on a draft agreement for the operation of a free trade zone in the Latin American Southern Cone will also be discussed.

On 27 June U.S. President George Bush launched a proposal known as the Initiative for the Americas with the purpose of implementing an assistance program for Latin American and Caribbean countries in matters such as investment, debt, and trade.

It is expected that Minister Frutos Vaesken will brief the participants in that meeting on the priority "challenges" for the modernization and administrative revamping of the Foreign Ministry, a process that has been set in motion with the reformulation of the foreign service.

Defense Minister on Budget, Personnel Reduction*PY1010181090 Asuncion ABC COLOR in Spanish
9 Oct 90 pp 8, 9*

[Text] On 8 October Defense Minister Brigadier General Juan Angel Souto Hernandez briefed the Chamber of Deputies Finance and Budget Committee on some cutbacks in the military sector, such as the reduction of troops in the Army, Navy, and military police. The cutbacks are part of a project to reduce Armed Forces expenditures.

Souto Hernandez went to congress with his colleagues Brigadier General Eduardo Ramon Sosa, Colonel Ramon Rodriguez, Lieutenant Colonel Higinio Cesar Moreira, and Navy Captain Andres Ronzewski.

According to the bill the Finance Ministry submitted to congress, the amount allocated for national defense, and obviously for the Armed Forces, is 138.527 billion guaranias, which represents 9.5 percent of the national budget.

The national defense sector considers this amount insufficient, taking into account the need to carry out some infrastructure works that have been postponed, such as the construction of the Acosta Nu military school (which will require 1.2 billion guaranias) and of a new military prison in Pena Hermosa, as well as the purchase of training planes for the Air Force.

Concerning the troop reduction, Souto Hernandez did not specify the number of personnel to be cut. He only said: "A certain number of Navy, Army and military police personnel will be cut." He thus hinted that the decision to carry out a new reduction of Armed Forces personnel has been already made. As for the need to supply new equipment to the military, especially in reference to the purchase of weapons, Hernan Souto said that no major investment will be made in this area. He said: "The Paraguayan Armed Forces have not purchased weapons for a long time. We can not follow the policy of purchasing and storing sophisticated weapons, which will be replaced later by more sophisticated and

effective ones. We need to promote training courses and scholarships so that military personnel can deal with any eventuality."

Souto Hernandez said that the Defense Ministry termed a priority the need to include in the 1991 budget the urgent purchase of training planes for the Military Aeronautics Command.

"We are requesting the purchase of some training planes because the current ones are so old for training new pilots," Souto Hernandez added.

Regarding the Xavantes planes, Souto Hernandez said that budget restrictions prevent the purchase of spare parts; however, out of the six planes that were purchased, five are operational while one is being repaired.

On commenting on the justification of the budget, he said that the budget reduction was very significant, taking into account that several unspecified points in the national defense budget were excluded and that military personnel were reduced.

He mentioned as an example the 80-percent reduction of the students at the Panchito Lopez Military School, where applicants for the first, third, and fourth levels will no longer be admitted. The objective is to finally close the school following orders from the commander in chief.

Souto Hernandez also reported that the National Indian Affairs Institution (INDI), the Civilian Aeronautics organization, and the Weather Bureau were also excluded from the draft budget for national defense.

He said that the resources allocated to the Armed Forces in the 1991 budget can be regarded as the "amount absolutely necessary for this institution to fulfill the specific mission to defend national sovereignty."

Concerning the possible closure of the Acosta Nu Military School, Souto Hernandez said that "it will depend on studies that are being carried out by the Armed Forces on this matter. I can not say whether this institution will be closed or not. This decision will be made in due time."

Finally, he said that the request to finish the construction of the Acosta Nu Military School facilities has nothing to do with the decision to close the institution. "The object is to finish the construction of the facilities. The future of the institution will be discussed later."

Military Units Open Doors to Reporter

PY1010192090

[Editorial Report] Asuncion ABC COLOR in Spanish on 30 September carries on pages 10-11 and 14-17 of its Sunday supplement, a 4100-word article headlined "The Armed Forces: What We Were Never Allowed to Know." The article, written by Mabel Rehnfeldt, with photos by Jorge Saenz, is billed as the first of a series.

The article begins with an interview with General Emilio Balbuena, artillery commander of the Paraguari Army unit, who stresses that obligatory military service plays a social role by educating, feeding, and providing medical care to the conscripts. In response to the journalist's opinion that the national military budget could be reduced and the money used to supplement the budgets of the Education and Health Ministries so that they can comply with their specific social roles, Gen. Balbuena states: "We do not consider ourselves as a burden; on the contrary, we are part of the people, and we want to help the people."

When asked how the Army controls abuses committed by military officers who force conscripts to work for them without pay in nonmilitary capacities, for example as domestic servants or farm labor, Gen. Balbuena replies: "I have not verified what you are saying, but we are trying to improve."

The article then continues with Gen. Balbuena describing the conscripts' training. Everything they learn is then applied in the "Shooting School" [Escuela de Fuego], which has four sections: the telephone central, the fire central, the firing range, and the observation line.

The article explains that there are "three types of artillery: ground artillery (earth to earth); coastal artillery (earth to water); and antiaircraft artillery (earth to air). Some of the departments under the artillery section are war materiel, physical education, training (how to shoot at airplanes, etc.). Air Force, Navy, and Army personnel come here to take advanced courses on antiaircraft defense."

The article then describes the author's visit to the Piribebuy 200-hectare munitions factory: "The machinery was imported from the FN (National Factory of Belgium, the largest in the world). Approximately 65 people, civilian and military, work in this factory which is headed by noncommissioned officers Alfonso Cano Prieto, production chief, and Emilio Torales, quality control chief. Each manufacturing stage complies with international standards issued by the NATO." This factory "produces cartridges for 7.62-mm and nine-mm guns and grenades, and it is even beginning to produce 5.56-mm cartridges." The machinery is still new, the article notes, adding that the factory "has hardly produced 200,000 cartridges." The article points out that the factory "also has ballistics and physical-chemical (where the quality of materials and metal alloys are tested) laboratories, as well as a laboratory for testing the strength of the cartridges, using a machine that pulls the materials to test their strength."

An inset entitled "Curious Information" states: "The factory does not make cannon shells, only hand grenades, but it also assembles some weapons like guns." The inset adds: "The powder is imported from Belgium, Argentina, and Chile. The bullet cases [copita para vaina y para bala] come from Argentina, Belgium, and Chile."

The article concludes with an interview with Colonel Aristides Ayala Paredes, commander of the Piribebuy military unit. He says that the duty of his unit is "to safeguard this 200-hectare installation which houses sophisticated, computerized equipment of Belgian origin. This unit is called the 'security group.'"

Armed Forces Announce Deployments, Maneuvers

PY1010235190 Asuncion RPC Television Network
in Spanish 2245 GMT 10 Oct 90

[Text] We repeat the following announcement for the population:

To prevent erroneous interpretations, the commander in chief of the Armed Forces informs the population that following the conclusion of the training period for this year, several military training institutions and operational units of the Armed Forces and other services will be deployed in several areas. These deployments will involve the firing of weapons of various calibers. Artillery units will be deployed in the areas of Ytororo, Paraguari, Eusebio Ayala, Itacurubi de la Cordillera, and Villarrica.

This announcement was made by the commander in chief of the Armed Forces.

Peru

Prime Minister Reviews Economic Situation

PY1110000290 Lima Television Peruana in Spanish
0203 GMT 10 Oct 90

[Speech by Prime Minister Juan Carlos Hurtado Miller; place and date not given—live or recorded; monitored in progress]

[Text] ...to face the explosive inflationary situation we inherited from the previous administration. I said then that we would give Congress a diagnosis of the administrative, productive, and institutional chaos in which the country was living. We wanted to explain to Congress and to all of you the measures we had to implement to begin the long, harsh, but positive and hopeful path to recovery.

On that day barely 60 days ago, according to our studies a majority of Peruvians questioned about the three most important problems facing the country put hyperinflation, terrorist subversion, and unemployment at the top of the list.

Hyperinflation, as all of us can see, is coming under control. We had an average inflation rate of nearly 50 percent per month during the first seven months of 1990. In the second half of August and September, however, we saw a sharp drop in prices. The government has given the signal. We are opening a new path and our actions are consistent with our proposal to allow no deficits and to

not issue money without Central Bank support. These are the basic elements for a just and serious handling of state affairs.

Positive results have already begun to appear, but our process of recovery is not, and cannot be, easy. Past distortions and mistakes have produced an extremely weak country, with little competitive capacity, a large unpaid debt, and without the appropriate channels to communicate with the exterior.

That was why we needed to explain our position and goals to the exterior. We want to begin the process of returning the country to the international financial and commercial world without renouncing our ideas, our reality, and our sovereignty.

This return is essential to attack—through increased investment levels and future reactivation—the two other great problems of our society: terrorist subversion and unemployment. If we stay away from the world instead of using the experiences of other countries, we will never overcome these problems, and our hopes for a more just country with opportunities for all will not be possible.

The annual meeting of the IMF and World Bank governors in Washington on 21 September was an excellent opportunity to begin the dialogue and to take the first steps in our return process. That is why President Fujimori's government decided that we had to be there, and also at the UN-organized summit on children in New York during the first week of this month, to explain our economic and social programs.

The mission I had the honor to preside over in Washington, given the presence of many economy and finance ministers from countries around the world, as well as presidents and high-ranking officials from the most important international financial organizations, labored to meet and explain our economic programs to representatives of friendly countries and directors of multilateral organizations such as the World Bank, the IMF, the Inter-American Development Bank [IDB], and the Andean Reserve Fund.

Over the next few months our programs will seek:

1. To consolidate the reduction of inflation by eliminating the fiscal deficit;
2. To eliminate distortions in relative prices;
3. To administer the flotation of the inti in relation to the U.S. dollar, seeking its real market value;
4. To modify the customs tariff system as a first step toward tariff unification. This program will be implemented over two years; in the next few days we will announce a reduction schedule encompassing the two years;
5. To implement an integral tax reform, which—thanks to the National Congress—will be promulgated via legislative decree;

6. To reform custom offices, ports, and airports to guarantee the increased competitiveness and efficiency of our foreign trade. We will also seek regulations against monopolies and dumping and to promote consumer protection;

7. To reorganize the national financial system to encourage efficiency, the reduction of financial costs seeking to strengthen national credit institutions, and better control of people's savings in institutions outside the legal system;

8. To approve the 1991 budget as this government's first investment and planning instrument.

9. To begin the process of restructuring the public sector, streamlining the operations of the executive branch and public enterprises.

The basic purpose of this restructuring effort has always been to restore the world's confidence in Peru and in our future possibilities as well as to attract an increased flow of capital toward our country.

To achieve this, we had to choose from among our creditors who would be our first interlocutors. We have decided that we should first meet with the multilateral institutions to begin this process because they are the ones that will support our economic program first. We will then meet with other countries, especially those that are closer to Peru and support our efforts for economic and social recovery.

In those meetings we had an opportunity to review our current foreign debt, which—including payments on interest and principal on the debt that have fallen due but have not been paid to our bilateral and multilateral creditors, commercial banks, and socialist country suppliers—amounts to approximately \$20 billion.

Our debt to multilateral institutions—the IMF, the World Bank, and the IDB—amounts to \$2.030 billion in overdue obligations and interests.

The purpose of our talks was to establish the understanding that Peru does not have the resources to pay its foreign debt and that any solution to our situation should therefore be reached through greater aid from those institutions; in other words, through a refinancing that could be achieved with the cooperation of countries friendly to Peru, countries that make up the so-called Support Group for Peru.

This could be obtained in exchange of our continuing fulfillment of the economic plan we have outlined, which we hope will be formally approved by the IMF board in November.

Based on new projections of tax revenues, we have promised to resume regular service of our debt to the World Bank and to the IDB—which the previous government had stopped paying—as well as to continue servicing our debt to the IMF. The previous government had been fulfilling this obligation since September 1989.

We will need \$2.030 billion, which will be obtained in the following manner: First, \$370 million will be lent to our country by the Andean Reserve Fund, a multilateral organization of Andean countries; second, \$450 million will be obtained through the implementation of so-called accrued rights within the IMF; and third, the remainder, approximately \$1.2 billion, will be provided by the aforementioned Support Group for Peru, which is initially made up of the United States, Japan, Spain, Germany, France, Canada, and Italy.

The financial resources will not mean an increase in Peru's foreign debt. Since we have reached an agreement with the multilateral organizations to refinance our overdue foreign debt through the implementation of the bridge loan we already mentioned, we are now preparing, with the joint commission—the World Bank, the IDB, and the IMF—three types of programs:

1. Programs referring to credits that will help finance the basic macroeconomic reform of the economy, such as tax, tariff, and commercial reforms, and the administrative reforms I already mentioned. With the disbursement of these credits we will pay a large portion of the debt with the Support Group, and this in practice will thus become a bridge loan amounting to \$2.030 billion, as was mentioned before in refinancing our obligations.

2. Sectorial development programs made up of two groups. One group will deal with basic infrastructure in the agricultural, transport, energy, health, and education sectors, leading to national reconstruction; the other will cover sectorial-integral development programs, such as agricultural, industrial, mining, and other development programs.

3. Social support programs leading to the creation of productive work and more job opportunities, to eventually take the place of food and health assistance programs and the Social Emergency Program, PES.

In addition to the process of servicing our delayed obligations to multilateral institutions, we will carry out the following tasks: In January we will meet with the so-called Paris Club, which groups the developed countries that are Peru's creditors. In February we will attend two meetings, one with creditor countries that are not members of the Paris Club, especially Latin American and socialist countries, and another with the Paris Club Consultative Group. At the first we will try to obtain refinancing conditions similar to those obtained from the developed countries; at the second we will seek new refinancing for our development projects. Finally, in March we will call creditor commercial banks to begin talks toward an agreement.

It is appropriate to add that as a consequence of these talks and as a gesture of Latin American solidarity—which we greatly appreciate—countries of this continent have offered us an important credit for which we will soon submit a request. We will use that financial offer for the basic needs of state development banks and the PES.

This credit is of vital importance because it will help us even up our balance of payments in a short period of time.

We thought that the most appropriate occasion to explain our social program and to detail its results to date was the World Summit for Children organized by UN Secretary General Javier Perez de Cuellar in New York at the beginning of October.

As for this conference, having been designated by the president of the Republic, I had the honor to sign for Peru the world declaration on the survival, protection, and development of children as well as the plan of action to implement that world declaration in the 1990's. In response to this commitment, the government has decided to create a commission chaired by Mrs. Susana de Fujimori to carry out the terms of that declaration in our country.

At the end of that world summit, and thanks to the special action of the UN secretary general, our dear fellow countryman Javier Perez de Cuellar, we held a meeting with the ambassadors of 18 countries and representatives of the EEC, the IMF, the World Bank, the IDB, the UN Organization for Development, and UNICEF to explain our economic program and Peru's need for support for its social program.

The objective of the social program of President Fujimori's government goes beyond a simple assistance program. We feel that this program will also contribute to generating more production and creating more job opportunities. We have explained that we will adopt the necessary action to turn the current PES into a Social Emergency Program for Employment and Production [Programa de Emergencia Social para el Empleo y la Producción], PESEP. This program is being prepared with the help of technicians from the UN Organization for Development.

We have described our financial needs for this year and for 1991 and have requested an amount equivalent to \$100 million for the first year and \$300 million for the next.

As for the distribution of resources earmarked for PESEP, which in 1991 will amount to \$750 million with additional contributions from the Peruvian budget, it has been said that among the programs that will receive support—in addition to mere assistance to the people—are programs like the productive urban communities, poor neighborhood improvements, hydroponics, the emergency plan, the reconstruction of cultivation platforms in rural zones, integral rural service centers, and other projects. Details of these projects will soon be released to the people.

Fellow citizens, our fatherland has taken the tough and long path of economic and social recovery. We hope that the sacrifices we are making today will teach us not to support artificial policies that promise everything. The apparent immediate well-being is only an ephemeral

illusion, the cost of which will be paid by the people. Wealth is created, opportunity is distributed. A bad president promises and distributes goods that do not exist. A good president talks of equal opportunity and teaches the people to create goods within a climate opposed to violence and corruption. Thank you very much. Good night.

* Public Reaction to 'Fuji-shock' Explained

90SM0259C Lima CARETAS in Spanish
27 Aug 90 p 25

[Commentary by Fernando Rospigliosi]

[Text] After the "Fuji-shock" of Wednesday, 8 August, many were apprehensively expecting a "Caracas incident," in other words: a repetition of the looting and disturbances that occurred on a large scale in the Venezuelan capital when Carlos Andres Perez launched an unexpected major package, just as his second term began.

About the same time the Argentines also reacted similarly. Nor has Brazil remained aloof from this Latin American custom, and on several occasions there have been massive attacks on large and small business establishments.

In Peru there is no lack of reasons for hunger, protest, and despair to be expressed similarly. The Aprista government's major package when Abel Salinas was minister of economy, in September 1988, was brutal, not to mention Hurtado Miller's shock.

Then why has there been no "Caracas incident" to date, and only minor disturbances?

There appear to be several reasons. The first is that we have already had our "Caracas incident." (In spite of everything, we are pioneers in some respect.) On 5 February 1975 Lima was left for several hours at the mercy of mobs looting and burning the center of the capital at will.

The Army's late response was very harsh, and hundreds of bodies were left scattered on the streets after the repression.

Although the country's economic situation was paradisiacal compared with the present disaster, at that very moment it was undergoing a turning point. The prosperity fostered by Velasquist populism was reaching its end. Growth had stopped, and the long period of hard times was beginning.

The rejection of the military dictatorship, for various reasons, united the left and right, and the poor and rich, in brotherhood at that time.

Then one detonator, namely, the police strike, compounded by the indecision of the chief of the Second

Military Region at the time, Leonidas Rodriguez, who was unable to control the disorders in time, sufficed to trigger chaos in Lima.

Just because of this, I think, the second reason why a "Caracas incident" has not yet occurred in Peru is that the state learned its lesson.

Before the "Fuji-shock" the government had already ordered a state of emergency, and sent troops into the streets to ward off looting attempts. The deterrent effect of armored cars and machine guns is very great.

This is because (third reason) the people too have learned their lesson. They are aware that attacks on business establishments will be met with an unhesitating response.

In a way, there is a resemblance to what has occurred in the case of national strikes. Never again have major work stoppages of July 1977 and May 1988 been repeated. The failure of the latest attempt, a few days ago, proves the futility of repeating types of protests which, for many reasons, have already lost effectiveness and credibility.

A fourth reason may be the presence of terrorist groups. The fear of finding oneself involved in action in which Sendero Luminoso [Shining Path—SL] or MRTA [Tupac Amaru Revolutionary Movement] could participate, and of suffering the consequences of repression is also a deterrent factor.

Fifth, habituation and resignation also play their role. Few countries in the world have withstood such a prolonged crisis (it has already lasted 15 years) as Peru. With one major package after another, we Peruvians view the new attempt with fatalism, mixed with a little hope: "this time it will work."

In this instance, a couple of things are added to reinforce the resignation: the expectations vested in the new government and the consensus that existed regarding the shock as the polls have discovered, incidentally, a post-humous victory for FREDEMO [Democratic Front].

Last but not least, there is the occurrence of apparently inexplicable phenomena, which are nevertheless linked with the crisis. Shortly after the major package of September 1988, the rumor spread in Lima, basically in slums, about the "eye removers," sinister persons who extracted children's eyes to sell them abroad.

The rumor was so widespread that there were cases of mass mobilizations of parents to remove their children from schools, out of fear of the "eye removers." It was nothing but a fantasy, as was proven later. But, as sociologist Gonzalo Portocarrero comments, "Rumors and panic led to a reduction in the level of tension. The episode was a functional equivalent of the explosion and the strike. It made it possible to ease tensions and to collectively feel the fear and desperation that the situation itself was generating. There was even an attempt at self-defense against it." ("Social Crisis and Colonial Specter: the Eye Removers")

Today there are no reports of anything of the kind, but it would not be odd if a similar phenomenon were to occur.

In short, several factors explain why a social explosion has not yet occurred. But that should not be a consolation to anyone, not only because we don't know whether a major explosion will eventually occur, but also because the situation of the vast majority of Peruvians at present is really tragic and desperate. Every effort to alleviate it should be attempted and supported.

* Pennano Discusses Ministry Plans

90SM0261A Lima EL COMERCIO in Spanish
5, 6 Sep 90

[Report on interview with Minister of Industry, Commerce, Tourism, and Integration Guido Pennano Allison by EL COMERCIO staff; place and date not given—first paragraph is EL COMERCIO introduction]

[5 Sep 90 p A6]

[Excerpts] Beginning today, an EL COMERCIO team will develop the concepts set forth on the sectorial level by the president of the Council of Ministers Juan Carlos Hurtado Miller to the Congress of the Republic last 27 August. We are beginning this series of reports with the head of the Ministry of Industry, Commerce, Tourism, and Integration (MICTI), economist Guido Pennano Allison. In an extensive interview with EL COMERCIO, Minister Pennano explained the guidelines for the policy his sector will follow, divided into the seven fields he regards as basic, including a description of some of the most interesting projects which have been planned. The key problem of defining the customs policy is another of the subjects Pennano took up, providing some explanations in this connection. He also discussed the role which informal industry, the microenterprises, and enterprises of average size will play in economic development. He said that they will have preferential treatment because of their importance to the national economy.

Efficiency, profitability, employment, and exports are the challenges which Minister of Industry Guido Pennano must deal with in the medium time range.

He listed seven production lines as "keys to the development of the national economy" with a view to achieving these goals.

Although each of these production lines is described in a separate section on this page [see subheading "Keys to Industrial Development" below], it should be noted that they pertain to the following sectors:

Agroindustry, fishing industry, mining industry, processing of nonmetallic ores, exploitation of the Camisea gas, timber processing, and chemical industry based on mining, the Camisea gas, and nonmetallic products.

At another point, the minister spoke with concern about the difficult situation facing hundreds of enterprises because of the sharp decline in demand and the problems generated by the recession.

Both large and small enterprises are suffering the effects of the adjustment policy implemented by the government, but the minister assured us that "if the model (the economic program of the government) works, I believe that there will be a strong investment program within six months."

Not unreasonably, therefore, Guido Pennano said that "nothing can be done within the Ministry of Industry unless the economy reaches a minimal balance point."

Provisional Customs Duties

Minister Pennano spoke with feeling about the customs tools which are the focus of both front-page articles and the negotiations behind the scenes.

"There are those who say that I am defending the protectionists to the death. Others say that we are seeking to dismantle domestic industry. I am concerned today about the defense of the labor market, because it is the workers who have the most to lose, since businessmen are becoming merchants. There will be neither of these extremes," he said, while stating that he was assigned the task of establishing the different positions by the president of the Council of Ministers.

He admitted, however, that given the current circumstances, it is impossible to effect a customs reduction as was done in 1980 or to disregard the recession, the structural distortions in the economy as a whole and the productive apparatus, among other things, and in addition, the effects of the process of correcting the tremendous imbalances inherited from the preceding government.

Pennano said that what we have is an emergency structure designed to deal with the transition resulting from the economic adjustment and the necessary refining (or "fine-tuning," in English), as the Anglo-Saxon economists say, with the main one being that of the rate-of-exchange.

"We must establish important definitions. Customs reductions will mean the bankruptcy or official recognition of the liquidation of state and private enterprises." He mentioned among other points the situation of the state fertilizer monopolies such as the Petroleum of Peru complex, the absurd Paramonga conglomerate (a complex isolated from the productive farm areas), the Cajamarquilla mining complex, the excessive administrative personnel at the SIDERPERU [Peruvian Iron and Steel Enterprise] (where there is one office employee for every worker) and other private enterprises, which are hindering free competition and the perfect interplay of the laws of supply and demand.

"The customs tariffs or lists to be issued will be oriented toward ensuring better protection for manufactured products with local components," he said.

The factors to be taken into account in the short and medium time range in drafting the criteria for establishing customs tariffs, in the opinion of the Minister of Industry, should include the commitments resulting from the Andean subregional agreement, endorsed by the recent presidential statements, and those of the Latin American Integration Association (ALADI) as well as those resulting from the negotiations being pursued by the large world trade blocs within the framework of the General Agreement on Tariffs and Trade (GATT), such as the Uruguayan Round.

Pennano was asked why the establishment of the customs duties was taking so long.

He gave assurance that the problem of protection is not a new one. It dates back to 1868, when there was a debate between the Italian immigrants who were establishing industries and some others of Peruvian origin who supported the principle of producing substitutes for imports.

"Since that time, the movement has swung back and forth, from liberalism to the closing of the market," he said.

From total freedom, the pendulum has swung over to total protection and back again. Economic history shows this vacillation, which should not be repeated.

The minister also recalled that the industrialized countries practice protectionism in various forms, open or concealed, and in combinations which, for example, force competition at the same prices both domestically and abroad.

"For this reason, these decisions, which are being intensively debated elsewhere, merit profound analysis so that we can avoid making an error."

He was asked what criteria are being used.

He said that "within four or five days, we will have a clear picture in the customs sector. We will have a maximum of 50 percent and a minimum of 10 or 15. We are making studies in this connection. The more a product has been processed, obviously, the more protected it must be, and vice versa. This is one criterion. The other has to do with whether it is produced in the country or not. Where electrical household appliances are concerned, the idea is a figure between 30 and 50, more or less. The same will be true for automobiles, that is the simpler and smaller ones. The larger and more heavily equipped vehicles will without a doubt have a less favorable rate. There can be no doubt that those who want to import them can pay and bring them in. When it comes to CKD [completely knocked down] packages and finished products, there will have to be a differentiation. The CKD rate will undoubtedly have to be lower, or

otherwise we will be killing the market. And the supplies for these industries will have to be on the customs level of 10 percent."

Keys to Industrial Development

[Passage omitted] According to the minister, the basic elements in his plan for developing industry are clear and stable rules for investment, and laws which prevent dumping, monopolies, overvaluation, and undervaluation.

His explanatory style was direct and open.

1. Agroindustry. "This includes the textile and garment industries, for example, because development must be integral. It must begin with cotton and extend to the final product.

"We must also follow through from leather to the shoe, from asparagus to the jar or the can, from processing tomatoes to marketing tomato sauce in Japan. Finally! But here indeed, sir, protection with efficiency, with foreign investment and domestic investment!"

The minister was asked what he thought could be done with domestic industry, given such protection.

He responded that "protection should, for example, permit the development of livestock breeding in the country. But if we import livestock using MUC [official exchange rate] dollars, as has been done for the last 12 or 24 months, for the sake not of the livestock but the rate of exchange, then those in the country working honestly will simply go broke."

2. Fishing industry. "Here a change must be brought about. We must work toward the export of boxes of frozen fish and other types of presentation such as those which exist in Europe, where these products, but of a quality inferior to ours, are sold. For the time being, we have only a small sea-snail industry, and another involving seaweed. And there are the prawn fishermen whose position is precarious because of the errors committed in the past five years."

3. The mining industry. "How is it possible that there is still no giant factory in Peru exporting copper pipe? One business in which one could invest blindly today is a plant for processing zinc oxide. In that sector there are no losses. Instead of exporting the zinc and letting others fill their pockets by oxidizing this product, we could do this processing. The changes in the mining sector hold a great potential for us."

4. Processing nonmetallic minerals. "We have quantities of phosphates. There are countries like New Zealand which would love to have Bayovar in their territory. We also have the potential for processing borax, cement, glass, and all of the other kinds of nonmetallic minerals. There is also a great potential with regard to urea."

5. Camisea gas exploitation. "When I speak of the Camisea gas, I am not referring to energy activity. Rather, I automatically associate it with the plastics

industry. Peru could be a leading country in this industry, particularly with the price of oil now. Plastics are used in containers, toys, and a variety of other objects."

6. Timber processing. "We have one of the densest forests in the world, but we need to exploit them using renewal and not depredation as the criterion. Instead of exporting lumber, we should manufacture the final products in the furniture and paper industries. In Brazil, for example, eucalyptus, which abounds in our country, serves as the raw material for paper. And in the manufacture of furniture, we could export modular units, for which there is a great market today."

7. Chemical industry. "This activity involves a combination of the mining industry, Camisea gas, and nonmetallic products to which we have referred. These three sectors would provide the raw materials and the basis for a spearhead chemical industry."

After explaining each of these production lines, the minister said that work could also be done in the metal-mechanical sector (which is a part of the mining industry) with a view to exports.

"Nowadays, we have instances of metal-mechanical industries which have succeeded in exporting and have been competitive, demonstrating quality, when there has been an acceptable rate of exchange," he said.

[6 Sep 90 p A6]

[Excerpts] CERTEX To Continue

In the opinion of Minister Guido Pennano, the government should maintain the Export Certificates (CERTEX) and the Free Availability Certificates (CLD).

"The CLD represent a rate of exchange which must be given parity with the dollar. I do not believe that it needs to disappear. I believe that to enable the BCR [Central Reserve Bank] to engage in honest handling of the rate of exchange, we could operate as Chile does. There no one uses the dollar bill, but everyone uses certificates," he said.

He explained that the CERTEX must exist, for several reasons.

"First of all, let us take the most extreme liberal case—Chile. It has the CERTEX, or described in another way, tax refunding. But it has it.

"If Chile, which is the Latin American free-exchange paradise, has a system of rebating taxes paid on exports, why shouldn't we?" he asked.

Legalizing Informal Industry

The mistake made on Wednesday, the eighth, has multiplied the one million itinerant peddlers in Lima and the estimated 2.5 million throughout the country. An immediate indication is seen in the swarm of peddlers, with children obviously predominating, to be found at the

intersections of the downtown streets offering products for sale not only of clandestine factories, but of the legally established ones as well.

Faced with the problem of the informal, clandestine, underground industry, also called the black market or submerged economy, Minister Guido Pennano was clear and concise. "Working to formalize this industry is not my current concern. But we are doing other more urgent things. For example, we are promoting an agreement with all of the mayoralties in metropolitan Lima whereby they will provide us with space where we will locate MICTI [Ministry of Industry, Commerce, Tourism and Integration] personnel to serve as agents of the ministry and to accept and facilitate all of the files."

Pennano said that the present is not the proper time for closing the clandestine or informal factories. After all, at times like the present, it is necessary to have work sites where jobs are available, and to deal with the specter of unemployment and underemployment.

He said that an agreement with the Industrial Bank is also being negotiated whereby the bank will provide credit to individuals who want to obtain legal status for a microenterprise. "The problem lies in the fact that the bank is also without funds. It does not even have the money to pay its staff. Faced with this situation, we are negotiating with the Andean Development Corporation (CAF) to obtain credit for the Industrial Bank to provide loans which would go directly to small businessmen. Also being planned is another agreement with leasing enterprises to ensure that a percentage of their credit goes to the microenterprises and small businessmen.

"We are coordinating our efforts to provide the new Industrial Bank with offices in some municipalities, as well. In this way we can finance small and average sized industry in the most depressed sectors of Lima. It is to them that the state credit should go. The established businesses must go to the commercial banks for credit," he added.

Status of State Enterprises

The SIDERPERU [Peruvian Iron and Steel Enterprise], Paramonga, the Cajamarquilla refinery, and the majority of the enterprises which have depended on state subsidies in order to produce are either bankrupt today or on the verge of bankruptcy.

These enterprises were forced into this situation by the profound distortions which the country's economy has suffered in recent years, Minister of Industry Guido Pennano explained. [passage omitted]

SIDERPERU

This enterprise, for example, has lost a sizable sum of money in the past 12 months in the business of selling iron for construction purposes.

And, although it seems paradoxical, the price of iron for construction was above the international price during these months.

What happened was that SIDERPERU was forced to sell at a price below cost, but those who purchased the iron were middlemen, and they in turn sold it at a high price.

There was a veritable Mafia operating at the SIDERPERU sales outlets. The middlemen acquired the shipping orders and sold them, overpriced, to other middlemen. As the goods passed from hand to hand, the price of construction iron continued to rise.

Paramonga

Another case involves the production of Paramonga. Separating the cooperative from the industrial portion was an error of such proportions that Minister Pennano had no hesitation at all about describing it as "the worst technical aberration in history."

Now, as a result of this separation, the cooperative members demanded that the industrial plant pay such a high price for their bagasse that it proved cheaper to import it from Korea than to buy it from the cooperative adjacent to the plant.

Cajamarquilla is another case. This refinery gave itself the luxury of selling sulfuric acid at a price far below international prices—below that in Brazil, for example, which was something like 120, while the price here was 40.

Cajamarquilla indulged in this luxury even though the price was the bankruptcy of two businesses which manufactured the same product, purely and simply because Cajamarquilla was using electrical energy at a marginal cost.

This low sulfuric acid price also provided drug traffickers with an advantage, because as is known, sulfuric acid is one of the raw materials used in producing PBC [basic coca paste].

Technical Solutions

In this portion of the interview, Minister Guido Pennano defined himself as a technician, par excellence, and he expressed his concern about the situation of the industrial workers.

"On the day I am no longer here, I will return to my natural state, which is that of a technician, because I did not come here to engage in politics. I am an independent."

But there is something more. "If the parliament does not agree with what we are doing, then we will leave. But the citizenry should know what it is we wanted to do and what it is we were not allowed to do."

And he went on to say "I defend workers in industry, because it costs Peru a great deal of money when an excellent welder ceases to be a welder and becomes an

itinerant peddler or a fare collector for a microbus, or goes abroad. And this is one of the country's great tragedies."

The transfer of SIDERPERU, Paramonga, and Cajamarquilla to the private sector is a controversial subject.

"The SIDERPERU tin-plate factory, for example, is worth its weight in gold, but it is at a standstill. It would be extremely simple to transfer it to the private sector, because there have been offers from Japan and Korea. However, the problem needs to be studied within the context of SIDERPERU as a whole."

The fact that this enterprise has one office employee for every worker, "which would be an aberration anywhere in the world," also needs to be taken into account, he commented.

As for Paramonga, Pennano expressed the view that "the only real solution for this enterprise is for the cooperative and the industrial plant to merge again, in a kind of holding company."

In Paramonga, in addition, there are two unprecedented circumstances: the cooperative is selling bagasse to the plant at the price of oil.

The industrial plant currently has a stock of finished products worth \$40 million, but it cannot sell them because of the recession.

Competition for the ENAPU

"I would like to give you advance information about a measure which the minister of transportation will doubtless announce at the proper time. A study is being made concerning the transfer, where the administration is concerned, of at least one or two ports to the private sector so that they can compete with the ENAPU [National Ports Enterprise], to see what will happen," the minister of industry said at the roundtable discussion held with the trade authorities.

"Consideration has been given to the port of Punta Pejerrey. This would be a pre-administration leasing system, nothing more. This does not mean privatization of the ports, by any means. We will see then where the shippers want to dock their vessels, where they want to unload their freight, and what prices each will offer."

The Tacna Free Zone

There are plans to transform Tacna into a crossroads with free-port warehousing and other installations, as well as to institute an "open-skies" system for the airports in order to bring in the trade flow from the countries which are located on the Atlantic but are interested in a route to the Pacific.

This new free-zone concept was emphasized by Minister Pennano.

Free zones, which are seen as factors contributing to the socioeconomic development of a country, are tending to

become an established institution in the community of nations. Peru, obviously, cannot afford to be left behind.

In discussing this subject, the minister said that what is needed in Tacna is supplementation of the legislation which currently exists for the ZOTAC [Tacna Special Handling Zone] to make it compatible with the current customs system, so that there will be no duplication, with one system in the country and another in the special zone.

Concerning the free-zone warehousing proposal for the transit of goods to the adjacent countries which want such an arrangement, the minister said that this is an urgent need. "I favor providing Bolivia with free-zone warehousing in Tacna for its imports. Brazil wants to have warehousing in Bolivia in order to supply the southern part of Brazil. If we do not provide this, Chile will," he added.

On a parallel basis, the land transportation service to the natural zone of expansion for trade, toward the upper part of the Mariategui region itself, i.e., toward Bolivia and Argentina, needs to be improved.

Also being discussed is the possibility of expanding and improving the facilities at the Tacna airport and providing it with a special open-sky system so that any aircraft from Bolivia, Brazil or Argentina could land there, take on freight, and transport it to those countries free of restrictions of any sort.

But it is also necessary to work toward providing the free zone with a free port so that it can compete with Chilean ports like Iquique and Arica. The port selected could be Ilo or Matarani, Pennano suggested.

He was asked about labor stability in the free zones.

"There will be no labor stability. This has to be the case. The free-zone law itself isolates this type of situation. This is a part of its logic," he responded.

Free Zone for Tourism

One of the industrial veins this new administration proposes to exploit is tourism. One of the immediate possibilities is the Tumbes area, where the extensive beaches, the maritime fishing potential, and other factors would place it in a very productive and enviable situation, Minister Guido Pennano explained.

The ZOTUM, which has already been established and is awaiting only the corresponding legislation, would function as a "free zone oriented specifically toward tourism, without any other major commercial purpose."

To this end, it is hoped that measures can be promulgated to create a tourist infrastructure with foreign investments, something like what has been done at the Cancun seaside spa in Mexico, where an airport, hotels, and all the rest were built.

"In Tumbes, we could do the same thing, opening it up to foreign investment, allocating lots, and turning them over to investors for 30 years, at the end of which they would become private Peruvian property. That is to say, they would be nationalized. They will not be put in the hands of the state," he said.

He noted that no foreign visitor wants to have to travel through Lima to get to Tumbes. The people in Manaus, Brazil, can come to Tumbes directly, enjoy the waters of the Pacific, and return home. Avianca could bring people from Colombia, landing in Tumbes. People who want to engage in deep sea fishing, for example. Tumbes is the best zone in the world. Cabo Blanco, in Piura, which enjoys international prestige, is nearby.

"We must arrange for the free and unrestricted import of goods for consumption in the free zone, because the people who come will want to buy international brands. Any kind of consumer goods could be imported into the free tourist zone. In other words, it would be a duty-free zone, with a beach, hotels, everything. In principle, this free tourist zone should include Mancora, Punta Sal, Punta Mero, and Punta Pico, which are the most attractive zones," he commented.

The Peruvian government would have to provide a better airport than Tumbes has. All of the farming and fishing activity would supply the zone, generating intermediary jobs, since tourism is a service industry. A center of activity would be created for the entire region. Tumbes enjoys sunshine throughout the year. It has broad beaches. It is the only area to which tourists could be attracted for entertainment, maritime life, etc.

Uruguay

Weekly Paper Closes Due to Economic Problems

PY1010221590 Montevideo LA HORA POPULAR
in Spanish 29 Sep 90 p 4

[Text] Due to economic difficulties, the last edition of LA DEMOCRACIA weekly newspaper was sold yesterday. Spokesmen of the newspaper board reported: "We could not overcome our crisis."

At the end of an assembly of the workers, they released a note stating: "We have been informed by the company that they have decided to stop printing the weekly as of 28 September. The members of the board have promised to pay all the creditors, salaries, and severance pay."

Correction to Proposal To Repurchase Foreign Debt

PY0810143090

The following correction pertains to the item headlined "Government To Propose Repurchase of Foreign Debt," published in the 5 October Latin America DAILY REPORT, page 20:

Column two, paragraph seven, only sentence make read: ...investments through capitalization, privatization, and good opportunities... [changing word]

Venezuela

Perez, Chilean President Aylwin Sign Statement

PA1110024990 Caracas Venezolana de Television
Canal 8 in Spanish 2313 GMT 10 Oct 90

[Text] Within the framework of the presidential summit to be held in Caracas, Chilean President Patricio Aylwin and Venezuelan President Carlos Andres Perez today signed a joint statement in which they agreed on the need to reinforce the inter-American system and particularly stressed economic and social development, the preservation of democracy, and respect for and protection of human rights in the region. The two presidents pointed out their governments' determination to comply with obligations related to the foreign debt, the responsibility for which will be shared by debtors and creditors alike. Later in a news conference, the Chilean president said that contacts between presidents enrich relations between countries because no nation can exist as an island.

[Begin Aylwin recording] My talks with President Perez have made it possible to sign a number of agreements that had been drawn up in advance by government officials. Personal contact increases knowledge and makes it possible to make decisions from a better perspective. The meeting that the Group of Rio member countries will hold starting tomorrow will be very profitable for all, including Chile. That is why I am here. I will travel as many times as necessary to meet with the presidents of friendly countries to find solutions for Chile's problems. [end recording]

Integration is what Latin America needs today more than ever. This is Aylwin's stand. He said that at the beginning of this decade it is urgent to reduce the protectionist trend that limits the developing countries. Speaking in the presence of representatives of 26 SELA [Latin American Economic System] member countries, Aylwin said: If the search for a consensus is urgently presented on a worldwide basis, it would be regrettable for Latin America not to have a forum in our own countries. He also said that Latin America has usually blamed the big powers for its backwardness and slow progress, without giving thought to the lack of a serious and firm effort that enables its peoples to participate with dignity in debates among world nations.

[Begin Aylwin recording] The reshuffling in the northern hemisphere clearly shows that this late in the 20th century there is no room for isolated national economies. It is essential for Latin America and the Caribbean to claim this trend for themselves by giving integration its true value and to attain international competitiveness as the singular objective. [end recording]

Aylwin is the first Chilean president to visit Venezuela since 1967. This will be a historic visit because it will serve to formalize Chile's joining the Group of Rio. In the presence of SELA representatives, he underlined the need for this organization to keep reinforcing its role of unity and consensus among countries in the region.

Guyana

Opposition Parties To Hold Protest Rally 13 Oct

FL1010221590 Bridgetown CANA in English
2122 GMT 10 Oct 90

[Report by Courtney Gibson]

[Text] Georgetown, Guyana, Oct 10, CANA—Guyana's opposition parties Wednesday threatened a protest rally for Saturday [13 October] over the the compilation of voters lists, and Socialist International called on the government to open talks with the opposition on electoral reform. Charging that the lists culled from the National Registration Centre omitted addresses and had the names of many dead people, the groups said the rolls should be scrapped and called for immediate house to house enumeration.

They said that to reinforce their demand, they will be holding a joint protest outside Parliament on Saturday then march to Independence Park for "an all people's rally."

One of the opposition groups, the Working People's Alliance (WPA), said the Council of Socialist International (SI) called on the Guyana Government to "immediately open negotiations with the joint opposition on their demand for electoral reform".

A senior staffer of the National Registration Centre told CANA officials were consulting with the National Data management Authority (NDMA) which prepared the computerised lists, and with legal experts in their bid to deal with some of the problems which have arisen.

Commissioner of Registration Ronald Jacobs also announced that he has waived the two-dollar and five-dollar (one Guy dollar; 2.2 U.S. cents) fees to be paid when members of the public make objections to the lists. Objectors have until October 15 to have their names included and until October 19 to challenge names on the lists.

In a joint statement issued at a press conference Wednesday, the opposition groups called the preliminary lists a "sinister concoction spawned by the (ruling) People's National Congress" [PNC].

"The lists have omitted over 90 per cent of all addresses whereas the 1985 lists had lot numbers and house numbers. Names of persons who died over 10 years ago and of persons who have emigrated are retained illegally on the lists," the parties charged.

The participating groups were the four members of the Patriotic Coalition for Democracy (PCD)—the People's Progressive Party, the WPA, the Democratic Labour Movement, and the National Democratic Front—Guyanese Action for Reform and Democracy (Guard) and the United Republican Party (URP).

The WPA said that in a resolution adopted by SI's council in New York on Monday and Tuesday, the organisation called on the Government of Guyana "to respect the wishes of the great majority of the citizens of Guyana to have international observers present at the upcoming elections in numbers to be agreed upon in negotiations between the government and the opposition".

SI is studying the possibility of sending its own observers to the elections due by March next year.

Former U.S. President, Jimmy Carter is expected here on Friday to familiarise himself with Guyana's electoral system. The Jimmy Carter Centre has been invited by the government to observe the elections. A commonwealth observer team is also to monitor the polls.

The PNC has been accused of keeping itself in power by election rigging since 1968.

Venezuelan Army Commander Arrives on Visit

FL1010234790 Bridgetown CANA in English
2006 GMT 10 Oct 90

[Text] Georgetown, Guyana, Oct 10, CANA—Commander of the Venezuelan Army, Major General Carlos Penalzo Zambrano, arrived in Guyana Wednesday on a two-day official visit.

The commander's visit at the invitation of the Guyana Government is intended to strengthen co-operation between the Guyana Defence Force (GDF) and the Venezuelan Army, the official Guyana Public Communications Agency (GPCA) said.

While here, Penalzo will pay courtesy calls on President Desmond Hoyte and Foreign Affairs Minister Rashleigh Jackson, and hold discussions with acting chief of staff of the GDF, Brigadier Joe Singh.